Serials Division

FINANCIAL TIMES

Planning Viacom
Where software is still king
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World Business Newspaper TUESDAY MARCH 28 1995 D8523A

Bosnia risks all-out war, UN warns after Serb attack

Bosnia risks all-out war, the United Nations warned after Serb forces responded to a Bosnian government offensive by shelling four UN-protected safe areas. Bosnian Serb leader Radovan Karadzic (left) ordered a general mobilisation and called on the five-nation contact group – Britain, the US, France, Germany and Russia, which met in London yesterday, to halt the Bosnian offensive. Page 16

Germany to open telecoms industry: Competition in the German telecommunications market, the third largest in the world after the US and Japan, is to be opened to small and medium sized companies as well as large operators after 1998. Page 16 and Lex; Thai cabinet poised to ring telecoms changes, Page 10

GM plans $182m expansion in Hungary: General Motors of the US, the world's biggest vehicle maker, is to invest DM257m ($182m) in Hungary to double the capacity of its engine plant to 460,000 units a year. Page 7

UK offered arms procurement place: France and Germany offered the UK a place in the proposed Franco-German arms procurement agency and Britain said it would put weapons contracts under the agency's control. Page 16

USAir clinches deal with pilots: Lossmaking US airline USAir is believed to have persuaded its pilots to accept a pay cut of 20 per cent in exchange for seats on the board and profit-sharing. Page 17

Commerzbank 80% ahead: Commerzbank, first of Germany's big commercial banks to report 1994 results, said group net income rose by 80 per cent to DM1.06bn ($736m) because of the sale of shareholdings in other companies. Page 20

Bank of New York in $140m deal: Bank of New York is to acquire Putnam Trust of Greenwich in a deal valued at about $140m. Page 20

Climatic change talks attract 130 Nations: Up to 1,000 delegates from almost 130 countries gathered in Berlin for a 10-day United Nations conference on the effects of global warming. Reports, Page 6

Société Générale threatens court action: French bank Société Générale threatened to take Crédit Lyonnais to the European Court of Justice as it intensified efforts to oppose its rival's rescue plan. Page 17

EU jobs talks deadlocked: Talks to agree new European Union rules for companies employing workers from another member state collapsed after employment ministers failed to narrow their differences. Page 9

Pearson profits up 43%: Pearson, UK-based media, information and entertainment group, raised annual pre-tax profits by 43 per cent to £297.8m ($488.4m) for 1994, but admitted a setback over its move into video game and computer software. Page 17

Clinton to cut 5,000 government jobs: US president Bill Clinton announced cuts designed to save $13bn (£8.2bn) and lose nearly 5,000 federal jobs over the next five years. Page 5

MasterCard seeks Pacific expansion: Credit card company MasterCard hopes to double the number of its cards in the Asia-Pacific region by 2000. It had 53m in the area last year. Page 8

Pirelli back in the black: Italian cables and tyre maker Pirelli, which has undergone drastic restructuring, reported annual net profits of L146bn ($85m), its first since 1990. Page 17

France faces transport strikes: Transport in France faces disruption this week as unions representing domestic airline Air Inter, the national railway system and the Paris urban transit authority called for strikes. Page 3

Argentina plans banking safety net: Argentina is expected to release plans for a $3bn-$4bn banking safety net aimed at stabilising the financial system and reversing the capital flight that began in reaction to Mexico's recent devaluation. Page 5

Canada's rail employees return to work: Canada's two freight railways resumed full services after 30,000 employees who are demanding increased job security were forced back to work by federal legislation.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,137.28	(-1.39)
NASDAQ Composite	819.82	(+1.16)
Europe and Far East		
CAC40	1,835.1	(+18.81)
DAX	1,946.9	(+21.48)
FT-SE 100	3,149.8	(-3.6)
Nikkei	16,096.25	(+346.48)

US LUNCHTIME RATES

Federal Funds	$6\frac{1}{8}$%
3-mth Treas Bills: Yld	5.813%
Long Bond	$103\frac{3}{8}$
Yield	7.339%

OTHER RATES

UK: 3-mo interbank	$6\frac{21}{32}$%	(Same)
UK: 10 yr Gilt	$100\frac{11}{32}$	($100\frac{1}{32}$)
France: 10 yr OAT	97.27	(97.42)
Germany: 10 yr Bund	101.32	(101.52)
Japan: 10 yr JGB	104.912	(105.312)

NORTH SEA OIL (Argus)

Brent 15-day (May)	$17.34	(17.085)

GOLD

New York: Comex		
(Apr)	$n/a	(382.7)
London:		
close	$381.9	(382.0)

DOLLAR

New York lunchtime		
£	1.5965	
DM	1.4055	
FFr	4.9435	
SFr	1.159	
Y	89.6	
London:		
£	1.5965	(1.5932)
DM	1.4087	(1.4128)
FFr	4.955	(4.9708)
SFr	1.161	(1.171)
Y	89.385	(88.725)

STERLING

DM	2.249	(2.2509)
Tokyo close:	Y 89.47	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

Nelson Mandela sacks his wife from government

By Roger Matthews and Michael Holman in Johannesburg

Mrs Winnie Mandela, the estranged wife of President Nelson Mandela, became the first person to be sacked from South Africa's government of national unity yesterday after months of controversy over her behaviour.

A sombre Mr Mandela said the decision had been taken only after much reflection because of her important role in the long struggle against apartheid. A spokesman for Mrs Mandela said she was shocked.

Mr Mandela refused to say why his wife had been dismissed as deputy minister of arts, culture and science. "I appointed the cabinet and it is my right and prerogative to reshuffle the government if I consider it necessary for the effective functioning of the government, and I have exercised the right," said Mr Mandela.

When pressed on more precise reasons for the dismissal, Mr Mandela responded: "You must accept my assurance that I have exercised my right very, very carefully."

The sacking of Mrs Mandela, who won substantial support in December's voting for the executive committee of the dominant African National Congress, will test the party's unity. As the government approaches its second year in office, pressure is growing for it to demonstrate real economic and political progress for the majority of the population.

The government and senior ANC members have been angered by Mrs Mandela's attacks on policy and refusal to moderate her statements despite indications that dismissal was under consideration.

She continued her assault over the weekend, hitting out at the cabinet's failure to deliver on promises to impoverished South Africans made before last April's general election, while it spent lavishly on last week's official visit by Britain's Queen Elizabeth II.

Her outbursts came against a background of allegations that she had misappropriated funds entrusted to her and used her official position to influence housing contracts.

None of the allegations has been proved and a police search of her home was ruled illegal by a supreme court judge last week who ordered that seized documents be returned to her.

Mrs Mandela said the raid reminded her of life under apartheid, and claimed popular support would again be her defence against official harassment.

The ANC gave full backing to Mr Mandela's action. "When the ANC-led movement is calling on ordinary people to participate with discipline in the process of transformation, it is unacceptable for leadership personalities to behave in a manner not befitting their status as elected representatives," it said.

But the ANC is also aware that Mrs Mandela, as one of the party's most effective campaigners, will be needed for local government elections in November.

Mr Mandela added yesterday that he hoped his decision would encourage Mrs Mandela to review her situation and behave in a way that would enable her to make a more positive contribution to society.

Fighter Winnie Mandela down but not out, Page 4

E Merck share sale aims to raise $1.8bn

By Andrew Fisher in Frankfurt and Daniel Green in London

E. Merck, the family-owned German pharmaceuticals company, plans to float on the stock market later this year in what will be the biggest share issue by a privately controlled German business.

The group hopes to raise up to DM2.5bn ($1.8bn) by selling 25 per cent of its stock to the public in a move that reflects the growing desire of German companies to cut their traditional dependence on bank loans and to tap cheaper sources of finance.

The flotation would also force E. Merck to open its accounts to closer scrutiny by outside investors – a discipline which expansion-minded family companies in Germany seem increasingly ready to accept.

"It is a good thing to have some outside watch over the fate of a company," said Mr Patrick Schwarz-Schütte, head of Schwarz Pharma, another drugs company that plans a smaller issue this year. "This helps to ensure that the company is run in the most professionally effective way."

With the offering set to raise between DM2bn and DM2.5bn, depending on the state of the stock market, E. Merck will be the largest new issue in Germany since the DM1.99bn Feldmühle Nobel sale in 1986. But its record will be short-lived, since Deutsche Telekom comes to the market next year with an issue of around DM15bn.

E. Merck, Germany's fifth biggest drugs company, has no current links with Merck, its US namesake, which is the world's second biggest drugs company. But New Jersey's Merck was an affiliate of the German business until the first world war when it was confiscated by the US.

E. Merck, which is owned by descendants of the founding Merck family, plans to go the market in September. It is raising capital to help pay for a series of acquisitions. Those purchases helped to lift its turnover 16.3 per cent to DM5.8bn and to raise pretax profits by 40 per cent to DM560m last year.

Like its much larger German rivals – Bayer, BASF and Hoechst – E. Merck makes both drugs and chemicals. About 60 per cent of sales are in pharmaceuticals, notably heart drugs. It also produces specialist chemicals including liquid crystal for digital displays, high-purity materials for the electronics industry, and laboratory products.

A 53 per cent-owned Swiss subsidiary, Merck AG, which was floated in Switzerland in 1986, handles foreign activities. Separately, E. Merck also controls Lipha, a French pharmaceuticals company, having bought out its partner, Rhone-Poulenc, the French chemicals company

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Notice issued to rivals, Page 18

Boris Yeltsin waves goodbye as the train leaves the industrial town of Ryazan at the start of the Russian president's two-week working holiday to sound out ordinary people about their problems. Mr Yeltsin denied his tour marked the start of a re-election campaign Picture: Reuter

Maurizio Gucci shot dead in Milan

By Robert Graham in Rome

Mr Maurizio Gucci, former chairman of the Italian luxury goods company, was gunned down outside his Milan office yesterday in an attack that bore many of the hallmarks of a contract killing.

Mr Gucci, 46, grandson of the founder of the Florence-based leather goods and fashion company, was entering the building of his office yesterday morning when he was hit by three bullets fired by an unidentified gunman.

He fell slumped on the stairway while the building's porter gave chase. The gunman fired two shots at the porter, wounding him in the arm, before escaping in a waiting car.

Police said last night that they were baffled by the murder.

Since September 1993 when his 50 per cent stake was sold for $170m to Investcor, a Bahrain-based merchant bank, Mr Gucci has had no direct direct links with the business. Although he was believed to have run-up sizeable debts before his sell-out, Mr Gucci walked away from the deal a wealthy man.

Investigators were yesterday looking at the activities of Viersee Italia, a small tourism and leisure company that Mr Gucci set up last year. It was outside the Viersee office that he was murdered.

Mr Gucci, who was married

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Marks and Spencer plans three stores in Germany

By Roderick Oram, Consumer Industries Editor, in London

Marks and Spencer, the UK group, is to open up to three stores in Germany.

It already has stores in 10 countries and franchised shops in 18 others, from Hungary to Singapore.

China will feature in a subsequent phase of its international expansion strategy but it has ruled out the difficult Japanese market for the moment – despite having 51 branches of Brooks Brothers, its US-based clothing chain, in the country.

Problems there range from different regulations on toiletries and cosmetics to high property prices.

M&S's foreign growth has brought opportunities for its predominantly British suppliers, with which it has close links. Even in a market as entrepreneurial as Hong Kong, some 80 per cent of the goods in M&S's seven shops are UK-made.

Mr Keith Oates, deputy chairman, said M&S had not turned its attention overseas because of shrinking opportunities for expansion in the UK.

"We are finding as many opportunities in the UK as outside. It is the best of both worlds. We can be an international company and still serve our UK customers."

About two-thirds of M&S capital spending, budgeted at some £1.2bn over the three years 1994-97 would be in the UK, he said. It was, for example, building its biggest ever food section at a site in Newcastle. At 30,000 square feet it will rival large supermarkets.

UK operating profits and sales in the year ending this month will account for about 88 per cent and 82 per cent respectively of the group total, forecasts Mr John Richards of NatWest Securities.

Mr Oates said that in Germany the group was looking at locations in the Ruhr and Hamburg.

"The style of stores in major cities is very similar to ours so we will not be out of place there." Expansion would follow "the step-by-step formula which has been so successful for us in other countries".

As a first step in China, M&S is to open an office in Shanghai from which to make more detailed studies of the market.

"With a population of 1.2bn and an emerging middle class, the opportunities for Marks and Spencer are potentially huge," Mr Oates said. But the first store would be "some years down the road".

While UK suppliers are shipping goods to M&S's Hong Kong stores, the group's buying office there is already purchasing just under £100m of goods a year from mainland China. Much of this, however, is through UK companies such as Courtaulds Textiles which have Chinese operations.

The group is continuing to make a "detailed assessment" of Italy.

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Dini seeks fresh drive on sell-offs

By Andrew Hill in Milan

Mr Lamberto Dini, Italy's prime minister, yesterday sought to give fresh impetus to the country's privatisation programme and urged banks to speed up efforts to move into the private sector.

However, his speech, the most comprehensive outline of privatisation policy since Mr Dini took office in January, may not satisfy investors who have now waited nearly a year since the last wave of privatisations.

For example, parliament has still not given final approval for setting up an electricity regulator, one prerequisite for the privatisation of Enel, the state electricity company.

He laid out a balanced vision for future Italian privatisations, in which ownership is shared by a hard core of shareholders and small investors.

He said the government was planning incentives for companies to convert savings set aside for retirement payments to employees into genuine pension funds, and underlined the importance of establishing strong regulatory authorities.

Addressing an audience of top Italian industrialists, financiers and politicians in Milan, Mr Dini urged the foundations which control many Italian banks to sell off a majority stake in parallel with the main privatisation programme.

Mr Lucio Rondelli, chairman of Credito Italiano, one of the state-owned banks privatised at the end of 1993, said he favoured the idea of allowing the banks to act as active intermediaries for the sale of state holdings. Credito Italiano is one of a group of banks which has proposed buying the government's stake in Stet, an Italian state holding company, and then selling it on to a *nocciolo duro* or hard core of stable shareholders.

Mr Rondelli said it was too soon for banks themselves to act as the principal shareholders in industrial companies, and pension funds and mutual funds did not yet exist in sufficient strength.

But Mr Dini trod a careful path between the *nocciolo duro* approach and the so-called "public company" route, which would distribute shares more widely. He said the government "should not try to impose certain models of ownership, be it that of a large company with a diffuse shareholder register, or a company controlled by a group of stable shareholders, or intermediate solutions".

Mr Dini said the government hoped to encourage wider share ownership by improving the involvement of small shareholders in companies – for example, through the list-voting mechanism which reserves seats on the boards for their nominees.

He said the government was seeking more information on banks' proposals on Stet which would be fully privatised "in the autumn". Separately, banks are jockeying for position to become the reference shareholders in Imi, the banking group, and Ina, the insurer. The government hopes to sell its remaining stake in those companies by the summer.

Mr Dini added yesterday that a first tranche of shares in Eni, the energy and chemicals group, could be sold before the end of the end of the year.

Serious disruption likely as unions call for action on pay rises

Strikes set to hit French transport

By John Ridding in Paris

The French transport system faces serious disruption this week as unions representing the domestic airline, the national railway system and the Paris urban transit authority have called for strikes to support pay increases and to oppose changes in working practices and organisation.

Air Inter, the domestic airline, is due to start a three-day strike today, while SNCF, the national railway network, and RATP, the Paris buses and metro authority, have called for a 24-hour stoppage on Thursday.

The disputes are part of a series of strikes which has escalated with the approach of the April/May presidential elections. They reflect grievances in the public sector, but have also been encouraged by several candidates' support for pay increases.

Mr Lionel Jospin, the Socialist candidate, claims salaries should be allowed to increase to strengthen consumption and support economic recovery. Mr Jacques Chirac, the Gaullist mayor of Paris and front runner in opinion polls, has adopted a similar position.

After increased wage offers had eased disputes by Corsican civil servants and workers at Renault, the vehicle group, Mr Edouard Balladur, the prime minister, last week shifted his position on the issue. He said there was room for raising wages, adding, however, that increases must be assessed case by case.

While work has returned to normal at most Renault plants, two unions, the communist-led Confédération Générale du Travail and the CFDT, have called for "massive stoppages" today to express continued opposition to the pay offer of between 3 per cent and 4.5 per cent. The company's original offer of a 1 per cent rise compares with an annualised inflation rate of about 1.7 per cent.

Unions at SNCF and RATP are also pressing for increased pay. But the various disputes extend to broader issues. SNCF unions are also warning against any move toward privatisation, while workers at Air Inter, the domestic airline, are opposed to a restructuring programme which includes 600 job losses. They are also opposed to plans to merge Air Inter with the European operations of Air France, the national carrier.

The strikes and stoppages have been mainly confined to the public sector, although some private companies, such as GEC-Alsthom, the Anglo-French engineering group, have also been affected. "There is no explosion in wage demands in the private sector," said a spokesman for the Patronat employers' federation.

However, Mr Jean Gandois, president of the Patronat, accepted the situation's sensitivity. He said yesterday that refusal of pay rises in companies with profits growth could act as a provocation to unions.

Russia in overture to west on Chechnya

By Bruce Clark in Moscow

Russian efforts to mend fences with western Europe received a boost yesterday when a senior diplomat voiced confidence that international mediators would soon establish a long-term presence in the war zone of Chechnya.

The establishment of such a mission is one of the main conditions set by European Union governments for the reactivation of an EU-Russian trade agreement which has been put on ice because of Moscow's behaviour in the breakaway Russian region.

In a separate effort to break a diplomatic deadlock over European security issues, Russia signalled yesterday that it was about to make a fresh set of proposals for an "an area of stability" involving all countries from Vancouver to Vladivostok.

Mr Yuri Ushakov, a senior Russian diplomat, said the suggestions would be tabled at a meeting in Prague of the Organisation for Security and Co-operation in Europe (OSCE), starting on Thursday.

Without giving details, he described the proposals as a "set of ideas, intended to help find answers to the main problems which threaten the unity and security of Europe".

He told Interfax news agency that the proposals would touch on the "division of labour" between various security organisations. In the past, Russian ideas on this subject have included upgrading the OSCE and making the Commonwealth of Independent States – grouping 12 former Soviet republics – into a fully-fledged security club on a par with Nato.

The upbeat prognosis for mediation efforts in Chechnya was given by Mr Istvan Gyarmati, the OSCE envoy to the region, who said he expected an OSCE mission could be set up by mid-April at the latest. EU foreign ministers are due to consider ties with Russia at a meeting on April 10. Diplomats said the mission's mandate was expected to include mediation between the warring parties and assistance in the preparation of elections.

Eyewitnesses say artillery exchanges and aerial bombing raids are continuing in the war zone, but official Russian reports have been at pains recently to suggest that a semblance of normal life is being restored to a steadily widening, government-controlled area.

Russian military spokesmen claimed yesterday that that they had nearly sealed off the rebel-controlled of Gudermes, leaving the separatist forces with only one important town, Shali, where they were still in firm control.

A spokesman said the soldiers were "trying to avoid bloodshed" and did not intend to storm Gudermes, about 45km east of the capital Grozny.

Chechen military sources, quoted by Interfax, said Russian forces had killed 60 people and injured 40 yesterday in bombing raids on civilian areas, including refugee camps.

A Russian air force spokesman said civilian targets had not been attacked.

Germany holds back aid to Turkey

By Judy Dempsey in Berlin

Germany yesterday gave the strongest signal to date of its opposition to the Turkish incursion into northern Iraq in pursuit of Kurdish militants by withholding a DM150m ($106m) grant to Ankara.

Mr Klaus Kinkel, German foreign minister, said the assistance which would have been used to build Turkey two frigates had been "put on ice". He did not say for how long.

The decision was taken after a meeting of the parliamentary faction of the governing coalition and days after Mr Kinkel had held talks in Ankara with Mrs Tansu Çiller, the Turkish prime minister, and Mr Suleyman Demirel, the country's president.

"I am shocked at comments attributed to President Suleyman Demirel that Turkish forces intend to remain in north Iraq for a year after he personally told me last week they would pull out quickly," Mr Kinkel said.

He repeated his warnings to Turkey to withdraw its troops as quickly as possible, saying the actions would have considerable international consequences and damage.

In particular, Mr Kinkel indicated that the signing of a customs union between Ankara and the European Union was now becoming more complicated as a result of Turkey's actions. He said Bonn was still investigating whether German weapons sold to Turkey had been used in Ankara's offensive.

● Turkey yesterday promised to relax its tight controls on foreign media in southeast Turkey and northern Iraq. John Barham writes from Istanbul.

Mr Ferhat Ataman, foreign ministry spokesman, said the government has "sent instructions to the military to ease controls and we will make sure there will be regular service across the border from now on".

At the weekend, security forces detained two western reporters for up to 18 hours without giving any reason. The government also closed the border with Iraq to foreign correspondents, apparently aimed at halting reports by foreign journalists of civilian casualties from Turkish attacks.

Russian reformers tackle capital markets with revolutionary fire

John Thornhill on a grand vision behind efforts to create a workable framework for funding business

EUROPEAN INTERVIEW

Ten years to the month after Mr Mikhail Gorbachev launched *perestroika* to re-invent communism, a senior Russian government official flies to Vienna to chair a conference – organised by the Adam Smith Institute – on the development of Russia's capital markets.

He is Mr Dmitry Vasiliev, the unassuming 32-year-old executive director of Russia's Federal Commission on Securities and Capital Markets, which was set up last year as the industry regulator.

Mr Vasiliev, a research economist by background, has emerged as one of Russia's leading capitalist commissars working to re-create the institutions of a market economy.

Alongside Mr Anatoly Chubais, now first deputy prime minister, Mr Vasiliev helped spearhead Russia's mass privatisation drive which tipped 15,000 companies into the private sector in the past two years.

That programme has already transformed large swathes of Russian industry. But its chief fault was that it cut off companies from state credits without providing any alternative sources of funding. Capitalism without capital was the result.

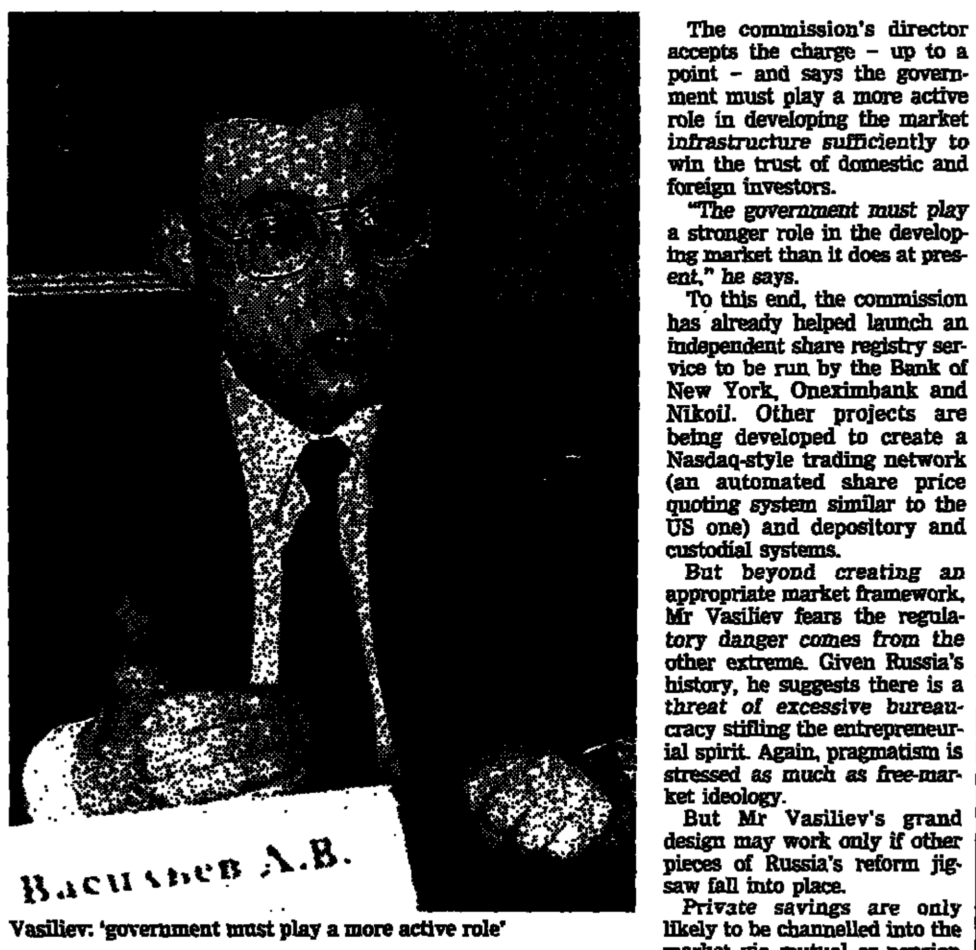
But in one of the bursts of creative energy, which have characterised Russian history, the reform team is now determined to help fund the growth of these privatised companies by creating effective primary capital markets.

In so doing, it is trying to compress into a few revolutionary months a process which in other circumstances has evolved over decades.

Mr Vasiliev's vision is of fair and fully functioning capital markets which will enable Russian cash-starved companies to raise finance, entrench a shareholder culture, soak up much of Russia's estimated $10bn held in cash by ordinary people and enrich millions of citizens in the process.

The commission's role will be to create a regulatory framework; develop the market's infrastructure; and encourage self-regulation among its participants.

Critics argue this may be a wonderful vision but is too lofty an ambition for this stage of Russia's development. Perhaps it would be better to model Russia's financial development on Germany or Japan, which chiefly relied on bank debt to rebuild their economies shattered in the second world war.



Vasiliev: 'government must play a more active role'

But Mr Vasiliev argues that unlike Germany, where a financial culture was well entrenched, Russia's banking system is not yet professional enough to analyse businesses and make long-term investment commitments.

"I would be greatly concerned about a situation in which Russian banks moved towards a German model of buying enterprises, developing trading activities and taking deposits and so on. I fear that a situation could develop in which there were numerous possibilities for conflicts of interest and that conditions for corruption would emerge," he said in an interview.

In a country where the cynical saying runs that criminals do not need to raid banks when they can open them, Mr Vasiliev's fears appear well founded.

Moreover, the majority of Russia's many respectable banks, which have grown rich on short-term speculation in areas such as currency trading, do not yet appear to have developed the mentality for backing long-term capital appreciation.

Mr Vasiliev's additional hope is that external shareholders can impose an external discipline on management breaking up the cosy relationships that are likely to develop between banks and industry.

Mr Vasiliev's challenge will be to ensure that the capital markets become conspicuously fairer and more transparent than the banking sector. And, on this score, some financial experts fear too much emphasis is being placed on self-regulation. After all, the maturity of Russia's stockbroking culture is no greater than that of its banks.

The commission's director accepts the charge – up to a point – and says the government must play a more active role in developing the market infrastructure sufficiently to win the trust of domestic and foreign investors.

"The government must play a stronger role in the developing market than it does at present," he says.

To this end, the commission has already helped launch an independent share registry service to be run by the Bank of New York, Oneximbank and Nikoil. Other projects are being developed to create a Nasdaq-style trading network (an automated share price quoting system similar to the US one) and depository and custodial systems.

But beyond creating an appropriate market framework, Mr Vasiliev fears the regulatory danger comes from the other extreme. Given Russia's history, he suggests there is a threat of excessive bureaucracy stifling the entrepreneurial spirit. Again, pragmatism is stressed as much as free-market ideology.

But Mr Vasiliev's grand design may work only if other pieces of Russia's reform jigsaw fall into place.

Private savings are only likely to be channelled into the market via mutual or pension funds once Russia's tax regime and investment legislation have been remodelled.

Investment will also depend on the government's economic stabilisation plans bearing fruit this year. "The scale of investment will depend upon the pace of inflation," Mr Vasiliev concedes.

But the greatest battle may be to transform the mentality of Russia's industrial managers to convince them that creating growth is more important than maintaining control.

Mr Vasiliev hopes the market will again provide the answer.

As soon as managers realise that their competitors are raising money on the capital markets, becoming more efficient, and stealing market share, then competitive self-preservation instincts will prevail.

Only if that occurs is Russia's capitalist *perestroika* likely to prove more durable than the communist version.

Spain's conservatives unveil economic platform

By David White in Madrid

Spain's conservative opposition Popular party yesterday lifted the covers on the economic platform on which it would fight a general election, outlining plans for lowering income tax, cutting government spending by Pta500bn ($3.9bn) a year and selling state shareholdings worth between Pta2,000bn and Pta3,000bn.

The measures set out by Mr José María Aznar, the PP leader, in an interview with the opposition daily El Mundo follow widespread criticism of the party's lack of an explicit programme to accompany its calls for early elections. The PP enjoys a clear lead in opinion polls over the Socialists, in power since 1982.

The secrecy which has up to now surrounded the PP's plans appears to have been a deliberate tactic, aimed at depriving the Socialists of a target for their attacks. The PP and the Communist-led United Left have meanwhile been making the most of public controversy over corruption affairs and other allegations of illegal activity by senior officials.

Mr Aznar said Spain needed a five-year "austerity" period. In the drive to reduce current government spending, the PP would axe 5,000 senior administration posts, and set up a new budget office under the prime minister. However, he gave no hint of where other cuts would be made.

In an effort to win the confidence of pensioners – a stronghold of Socialist support – he promised to maintain the value of state pensions in real terms.

Mr Aznar also took a soft line on labour market reforms. He favoured increased flexibility but rejected complete freedom for companies to shed jobs and said that "for the moment" he would not reduce the level of redundancy payments.

The PP aimed to simplify income tax and reduce the top marginal rate in stages from 56 per cent to 40 per cent, he said. Social security contributions would also be cut gradually. Corporation tax, on the other other hand, would be progressively raised from 35 to 40 per cent.

While proposing to speed up privatisations, including one of the two state television channels, Mr Aznar said there might be "strategic reasons" for keeping some companies in government hands. Mechanisms would be set up to favour control of privatised companies by Spanish rather than foreign investors.

Speculation about early general elections has been dampened by remarks by Mr Jordi Pujol, the Catalan leader whose support the Socialists need for a working majority in parliament. He indicated that regional elections in Catalonia would not be held before March next year. Since he intends that these should precede general elections, this would point to a general election date in autumn 1996, less than a year short of the maximum term.

EUROPEAN NEWS DIGEST

Grand prix fuel appeal

Front-running Formula One grand prix motor racing teams Benetton-Renault and Williams-Renault said yesterday they would appeal against a ruling by the Fédération Internationale de l'Automobile, the sports governing body, that "irregular" fuel was used in their cars during the weekend's Brazilian grand prix.

Elf, the French oil major, was maintaining a discreet silence last night over the alleged fuel irregularities. Elf, which supplies fuel to both Michael Schumacher's Benetton-Renault and the Williams-Renaults grand prix team led by Damon Hill, is waiting to hear from its technical representatives on their return from Brazil, and to test further the fuel samples they are bringing back with them, before making any comment.

The ruling saw reigning world champion Michael Schumacher of Germany and Williams-Renault driver David Coulthard disqualified from their respective first and second place finishes, promoting the Ferrari of the Austrian Gerhard Berger and McLaren-Mercedes of Mika Hakkinen in their stead. *John Griffiths, London*

French patrol boat order

The French defence ministry yesterday formally signed a FFr2.5bn ($503m) contract to supply the Kuwaiti government with eight missile-carrying patrol boats. The contract, won against international competition, was initialled in September last year but subject to negotiations finished over the last few days. Mr François Léotard, the defence minister, who has just returned from Kuwait, also announced yesterday that France had won a FFr270m air defence radar contract with the Gulf country. Construction of the patrol boats, which replace naval vessels destroyed during the Gulf War, will involve 1.5m hours of work for French industry. They will be built by Constructions Mécaniques de Normandie, Thomson and Compagnie des Signaux. The boats are 42m long, weigh 250 tonnes and have a crew of 30. Delivery will start over the next two and a half years. *Andrew Jack, Paris*

Spain gets phone message

European Competition Commissioner Mr Karel Van Miert said yesterday the Spanish government should eliminate the unequal treatment granted to Telefonica de España on recent mobile phone licences. Last December, the government granted a consortium led by Airtouch a second licence to operate digital mobile phones at a cost of Pta85bn ($654m). It had already granted Telefonica a licence without charging a fee. When the commissioner questioned the decision, Spain's transport and public works ministry said that Telefonica incurred heavy infrastructure costs that the Airtel consortium, headed by Airtouch, would avoid.

Mr Van Miert, in Madrid for a seminar on market deregulation, said he did not accept that explanation, adding that measures must be taken to ensure equal conditions for both operators. He said he was open to any proposals from the Spanish government and indicated that an agreement could be achieved either by obliging Telefonica to pay a similar amount to Airtel or by waiving the fee.

Transport and public works minister Mr José Borrell said after a meeting earlier this month with Mr Van Miert in Brussels that he would consider delaying Telefonica's entry to the GSM digital network service until October, when Airtel plans to start.

Mr Borrell also agreed Telefonica could not reduce tariffs on its analogue service and said Airtel had the right to lease lines from companies other than Telefonica, like Retevision or the Spanish postal service. *Reuter, Madrid*

Ministerial posts for Greens

The Greens, swept back into coalition last month with the Social Democrats (SPD) in the German state of Hesse, yesterday secured two posts in the new and smaller cabinet. Mr Hans Eichel, SPD premier, reduced the number of cabinet posts from 10 to eight, allocating six of the ministries to his party. The Greens will hold the justice portfolio as well as the combined youth, family and environment post. The composition of the new cabinet confirms the Greens' election success and its bid to play a greater role on state level, with a possible eye on federal level.

The Greens, led by Ms Iris Blaul, made big gains in Hesse, increasing the party's share of the vote from 8.8 per cent in 1991 to over 11 per cent. Its success stemmed from disaffection by Free Democrats, the junior partner in Chancellor Helmut Kohl's governing coalition. The Greens are now confident they can make similar inroads next May when North Rhine/Westphalia, governed by the SPD, holds elections. *Judy Dempsey, Berlin*

Georgia launches voucher drive

The government of Georgia launched its privatisation voucher programme yesterday, distributing $30 vouchers to residents in two regions of the poverty-stricken former Soviet republic. Residents in several areas of the capital, Tbilisi, and in the city of Kutaisi lined up to receive the vouchers, which Georgians can use to bid for shares in companies being privatised.

Owners of the new vouchers can also invest their $30 in one of the country's 20 recently opened investment funds. The vouchers will be distributed to all of Georgia's 5.5m residents – including children – except for those in the breakaway regions of Abkhazia and South Ossetia. The distribution is scheduled to continue for around three months, said Mr Avtandil Silagadze, head of the Georgian state property committee.

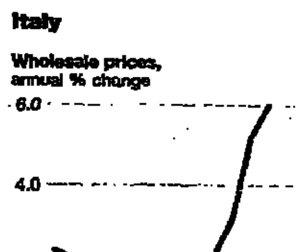
Georgia's voucher programme was approved by President Edouard Shevardnadze in early 1994, but bloody ethnic conflicts, political turmoil and economic instability delayed its implementation. *AP, Tbilisi*

ECONOMIC WATCH

Italian wholesale prices up 1.3%

Italy

Wholesale prices, annual % change



Source: Datastream

Italian wholesale prices rose 1.3 per cent in January from December and 6.0 per cent on January 1994, the country's state statistical institute Istat reported yesterday. In December wholesale prices rose 0.6 per cent on November and were up 5.2 per cent on a year earlier. The industrial producer price index rose 0.9 per cent in January from December and was up 5.6 per cent from a year earlier. In December it was up 0.6 per cent on the month and 5.4 per cent on the year. The January price rise confirms an acceleration of increases seen beginning in the second half of 1994, Istat said. *AP-DJ, Rome*

■ Sweden's balance of trade showed a larger than expected SKr9.7bn ($841m) surplus in the month of February, according to preliminary figures. The country's trade surplus rose from SKr8.5bn in January and was up from a SKr6.0bn surplus in February 1994.

■ French industrial production declined slightly in the first months of 1995, according to a March survey of French chief executives by the national statistics institute Insee. While the manufacturing sector continued to grow, the decline was mostly due to the energy sector. There was also clear growth in consumer goods production, the survey says. While overall order books declined somewhat, overseas demand continued to grow, particularly for intermediate goods.

Canada's claim over seized trawler 'without foundation', says Commission

Brussels rebuts fishing accusation

By Lionel Barber in Brussels, David White in Madrid, and Bernard Simon in Toronto

The fishing dispute between the European Union and Canada flared up again yesterday after Brussels dismissed as "without foundation" Canadian charges that the Spanish trawler Estai which it seized earlier this month had been hiding fish in a secret second hold.

The denial followed a second incident in the contested Grand Banks area off the coast of Newfoundland in which a Canadian vessel cut a fishing net from a Spanish trawler.

In New York, Mr Brian Tobin, Canada's minister of fisheries and oceans, said, in response to the Commission's remarks: "Both the substance and the tone of these comments will do nothing to resolve these problems."

Tensions remained high in the disputed waters yesterday. Canada has sent another two armed patrol boats to the "nose" of the Grand Banks, bringing the total to six. About 14 Spanish trawlers are in the vicinity, which is just outside Canada's 200-mile fishing zone. In response to calls from Spanish fishermen, Madrid has stepped up its naval presence in the area to two patrol ships.

Yesterday, Mr Javier Solana, Spain's foreign minister, said he had protested "in a very energetic fashion" about the latest incidents to Mr David Wright, the Canadian ambassador in Madrid.

Spain would "not tolerate" any further seizures, Mr Solana added. He ruled out breaking off diplomatic relations for the time being.

Meanwhile, he said that Spain would this week present its case against Canada to the International Court of Justice in the The Hague over the seizure of the trawler Estai in international waters.

Diplomats and fishing experts from both the EU and Canada are trying to contain the dispute which centres on Canada's efforts to assert its authority to protect young fish stocks outside its 200-mile territorial limit, or fish which "straddle the area".

The European Commission said British fisheries inspectors acting for the EU had failed to find the double hold when they boarded the Estai at its home port in Vigo, Spain, last Friday. It rebutted allegations that the bulk of the Spanish catch had been undersized.

"The results of the inspection render null and void the accusations made by Canada," the Commission said.

Charges that the Estai was operating a second hold as well as a double log book were central to Canada's case for seizing the trawler which was fishing for black turbot in international waters off the coast of Newfoundland.

The Commission produced figures showing that 82 per cent of the catch were longer than 40cm, 15 per cent were 36cm and only 3 per cent less than 30cm. The total "by-catch" – fish caught by mistake – was less than 5 per cent. "That is a normal figure," said a Brussels spokesman.

Mr Tobin, in New York attending yesterday's opening of a new round of negotiations aimed at concluding a United Nations-sponsored treaty to protect straddling and migratory fishing stocks, denounced the "ecological madness" of unrestricted fishing by foreign fleets.

Spanish fleets were "out of control, threatening vulnerable straddling stocks with commercial destruction," he said.

Canadian minister Brian Tobin: "Spanish fleets out of control."

Estai's boarding tantamount to piracy

A personal view by Mr Luis Atienza, Spanish minister of agriculture, fisheries and food

PERSONAL VIEW

A series of events over the past year, culminating in Canada's seizure of a Spanish fishing trawler earlier this month, is the story of Ottawa's strategy for keeping international fishing stocks to itself – at any price.

The events were:

- On May 10 1994 Canada ceases to recognise the International Court of Justice's authority on fishery issues;
- On May 12 1994 Canadian legislation permits the seizure of flag-of-convenience fishing vessels in international waters;
- On March 3 1995 Spanish and Portuguese vessels also become liable to capture;
- On March 5 Canada issues a radio warning – EU vessels have fished enough and may be seized;
- On March 9 a four-hour chase begins 220 miles offshore, shots are fired, and Canada boards the trawler Estai.

By definition, the boarding was an act of piracy. Canada's justification that it is safeguarding stocks is a fabrication to cover up bad management of its own fishing grounds.

The Greenland halibut is a flatfish species. Deep-water fishing, at depths of 800-1,500 metres, was developed by Spanish fisherman with help from oceanographic institutes, following pressure on other fish species.

This is the first year that limits have been put on Greenland halibut catches. Although scientific studies recommended a 40,000-tonne ceiling, the Northwest Atlantic Fisheries Organisation fixed a total allowable catch of 27,000 tonnes, less than half the previous year's.

The problem arose when Canada assigned itself a quota increasing its potential catch by 300 per cent, while the EU's allowance meant a 90 per cent reduction.

The share-out was decided by six votes to five, with two abstentions, breaking with Nafo's tradition of consensus. The EU has just one vote, the same as Estonia, Cuba, Poland or any of the other contracting parties. It hardly seems right to overrule the opinion of 15 countries which, although they have only one vote, outnumber the rest of the contracting parties together.

As for Canada's conservationist claims, its 200-mile zone, containing 90 per cent of this fishing ground, has been under its exclusive management for 18 years but this does not appear to have done much good to the fish.

That a country which has exhausted its resources should set itself up as guardian of the 10 per cent outside its control is an absurdity. Spanish fishermen realise that good management means preserving fishing grounds, the only guarantee for the future.

The Canadian fishing industry has lost about 40,000 jobs in recent years and is now threatened by budget cuts. Canada's answer is to place the blame somewhere else, to find a foreign enemy it can hold responsible for all its problems, even though that country has nothing to do with them.

St John's, Newfoundland, where the Estai was impounded, was founded by Spanish fishermen almost 400 years ago and named San Juan de Pasajes after a Basque fishing town. It continued to be used by Spanish fishermen until they were excluded from the zone.

It seems a bit much, 18 years later, to accuse them of finishing off the fishing grounds. EU vessels cannot now enter port even for humanitarian reasons. Some months ago the Estai was unable to disembark a crew member who had suffered a heart attack.

As for the supposed inspections and the nets the captors say were found aboard the Estai, Canada's procedures are not admissible.

There are Nafo rules for inspections, and Canada could legitimately have examined the holds and the nets. But it preferred to board the vessel in international waters, using armed intimidation, and then confiscate it. Neither international law nor public opinion can recognise an inspection carried out in these circumstances.

This same vessel underwent nine Nafo, Canadian and EU inspections in 1994, with only one minor infringement. There is no established minimum size for Greenland halibut. One can hardly be accused of breaking a nonexistent rule.

Canada now appears uninterested in resolving the problem within Nafo.

Meanwhile its patrol vessels continue to harass EU trawlers and endanger fishermen's lives. Its attitude is hard to understand.

We certainly have a problem, and we have to solve it.

Spain is ready to discuss reducing its catch, if necessary, to conserve stocks, and stepping up inspections if Nafo wishes.

But first, international legality has to be restored.

Canada must formally announce that it will not apply its domestic law in international waters and to ships of another country's flag. It must return the bond money illegally demanded for the Estai's release. And it must compensate the EU fleet for damage caused.

In that way, calm will return to the fishing waters. We are willing. Does anyone else want a solution?

A personal view of the issue by Mr Brian Tobin, Canada's minister of fisheries and oceans, was published in the Financial Times of March 17

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Bonn telecoms measures fail to connect

The announcement yesterday by Mr Wolfgang Bötsch, German post and telecommunications minister, that the German telecommunications market would be open to all qualified competitors after liberalisation in 1998, fell short of addressing the most vexed question facing the industry – the interconnection regime after liberalisation.

Interconnection is the single most important issue involved in liberalising any telecoms monopoly. Interconnection defines the charges that competitors must pay the former monopolist – in this case, Deutsche Telekom – for the carriage of calls across any part of its network. Interconnection charges represent a high percentage of an operator's costs.

Until the interconnection regime has been defined, it will be difficult to predict how competitive the German market will be after 1998.

Mr Steven Pettit, managing director of the UK's Cable & Wireless Europe, and potentially an important competitor in the German market said: "The number of licences to be awarded is not the issue. It is the establishment of fair competition through a fair interconnection regime."

Yesterday, the German ministry said that Deutsche Telekom – and its potential competitors such as the utilities Veba and RWE, which also plan to operate telecommunications networks – would have to make prices submissions for access to their networks; these would have to approved by a new regulatory body to supervise the telecoms industry.

The ministry said it was likely to insist on a price capping approach, similar to that it used to force Deutsche Telekom to reduce the cost of its calls over the next two years, so making access to the various German networks gradually cheaper.

There was some surprise among analysts at the extent of the liberalisation measures announced yesterday. Mr Stefan Stanislawski, a principal consultant with Analysys, a UK-based consultancy working with potential competitors to Deutsche Telekom in Germany said it was inevitable: "It would have been neither desirable nor politically possible to stop local initiatives like the Frankfurt development." Two weeks ago, Frankfurt city signed a deal with Metropolitan Fiber Systems of the US to provide an alternative network that in effect breached Deutsche Telekom's monopoly.

Some analysts questioned whether companies such as British Telecom, which has an alliance with the utility Viag, and Cable & Wireless, which has linked up with Veba, would feel their efforts to secure a high place at the top table had been wasted.

Most vexed issue is left unresolved, writes Alan Cane

Both companies, however, welcomed the German government initiative pointing out the importance of a local ally in a large and complex market.

Mr Bötsch, normally the focus of outspoken attacks from a handful of German companies itching for a chance to compete with Deutsche Telekom, received some unexpected support as he unveiled the liberalisation plans.

Veba, the energy-based conglomerate which is potentially one of Telekom's biggest competitors "welcomed the competitive approach of the guidelines which are meant as a first step in the debate about the laws to be drawn up over the next 18 months".

Veba pointed out however there could be trouble over Mr Bötsch's proposals for regional networks within Germany. He said that such networks would allow a larger number of smaller players to compete.

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INTERNATIONAL NEWS DIGEST

Israel shipyards sale rejected

Israel's parliamentary finance committee yesterday voted against the sale of Israel Shipyards to a private group of investors, throwing doubts over the government's privatisation efforts.

Mr Yossi Nitzani, chairman of the government authority charged with carring out the sale of state-owned companies, met Prime Minister Yitzhak Rabin and said he would recommend the immediate liquidation of the company which is already under temporary receivership.

The Knesset finance committee voted 6 to 4 against the privatisation amid violent opposition of workers at Israel Shipyards against the sale of the company to SKO Car, an Israeli investment company, for $13.5m (£8.5m).

Analysts said the parliamentary decision marked the continuing power of organised labour to block privatisation and the growing sensitivity to workers' demands ahead of next year's elections.

They said the move could derail the Labour-led government's planned privatisation this year of El Al, the state-owned airline, and Zim, a large shipping company, in the face of workers' opposition. *Julian Ozanne, Jerusalem*

Child labour 'underestimated'

Estimates of 100-200m child workers worldwide represent only a fraction of child labour, excluding millions engaged in exploitative rural and domestic work in developing countries aqccording to Actionaid, the UK-based charity.

In a report* published today, it claims that children working in rural and domestic environments probably constitute an "invisible majority" of child labourers, neglected by statistical research and current aid policy.

However Actionaid warns against blanket bans on child labour. It argues that aid organisations and governments should treat the child workers not as victims but rather as vital agents in household and local economies.

"It is no good just banning child labour with the immediate effect of plunging children and their families into worse poverty. We need to listen to children and come up with development models designed to alleviate poverty for the whole family," Ms Victoria Johnson, co-author of the report, said.

The problem is most severe in Africa, which accounts for more than 50 per cent of child labourers, according to the International Labour Organisation. However, Actionaid believes at least 15-20 per cent of children in Latin America and Asia are engaged in child labour. *Krishna Guha, London*

** Listening to Smaller Voices: Children in an Environment of Change. Published by Actionaid, Hamlyn House, Archway, London N19 5PG*

Jordan oil company formed

Jordan said yesterday it had approved the creation of a $29m (£18m) national oil company to intensify gas exploration and join foreign companies in renewed oil drilling across the country.

"The company's strategy will be to concentrate on raising our present output of natural gas for electricity generation," said Mr Samih Darwazah, energy and mineral resources minister. He said Jordan aimed to "double the capacity of current daily production of nearly 30m cubic feet of natural gas" from the north eastern Reishah area near the Iraqi border, the new company's main working site.

Reishah provides 18 per cent of total electricity generated in Jordan. Amman hopes raised output, helped by future gas imports from Egypt by 1999, will replace more costly fuel oil in power plants. *Reuter, Amman*

Fighter Winnie Mandela down but not out

Veteran populist will remain a force to be reckoned with, write **Michael Holman** and **Roger Matthews**

Mrs Winnie Mandela's sacking from the South African government yesterday contained all the elements of a successful soap opera – a combination of blighted romance, drama, and tragedy, which has been compulsive fare for the nation.

Few believe, however, that President Nelson Mandela's decision to remove his estranged wife from her post as a deputy minister of arts, culture and science will bring the saga to an end. The same characteristics of fierce indepen

> Irrespective of her personal standing, there is little doubt the causes she has skilfully espoused are real enough

dence, a sense of righteousness of her cause, and an inner conviction that she is destined to be centre stage, ensure that Mrs Mandela will remain a force to be reckoned with.

Assessing popular support for her has always been difficult. On the face of it, someone who has been convicted of assault and kidnapping, who is alleged to have misused public funds, and who earned a reputation for a Gucci lifestyle, would have a hard time winning the support of the disadvantaged and the dispossessed, let alone challenging the authority of a government.

Irrespective of Mrs Mandela's personal standing, however, there is little doubt that the causes she has skilfully espoused are real enough. These include everything from the provision of better healthcare to housing, and are accompanied by a simplistic and populist rhetoric which lays the blame for the slow pace of change on a weak government which is doing more to assuage white fears than meet black expectations.

Over the past few weeks barely a day has passed without the authority of the government being tested, from unruly black university students confronting what they see as a white male dominated élite, to trade unionists pressing for higher wages, conceivably at the expense of more jobs, and undermining South Africa's competitiveness abroad.

Were Mrs Mandela a less resilient figure she would have been forced to retire from public life in 1991 when a court found her guilty of kidnapping. Yet she was allowed to contest the parliamentary elections last April and also won back the presidency of the African National Congress's Women's League, either by dint of vigorous campaigning, as her supporters maintain, or by effectively intimidating or coercing delegates.

This helped to secure for her

The Mandelas the day after his release from more than 27 years in apartheid's prisons AP

a deputy ministerial post, an appointment that also reflected Mr Mandela's unstinting admiration for her devotion during his 27 years in jail, and ANC hopes that her political energies could be better harnessed within the government rather than being allowed uninhibited expression on the outside.

It was a vain hope. Neither the conventions of senior office nor concern for her husband's sensibilities checked Mrs Mandela's flamboyant style. Emboldened by her success in claiming fifth place in elections to the 65-strong ANC executive last December, Mrs Mandela has become increasingly dismissive of her critics, while at the same time becoming even more forthright in her espousal of populist causes. Revelations about substantial gifts of property from a business partner, and allegations about the misuse of public funds, in no way dampened Mrs Mandela's spirit.

The most public display of what sometimes appears to border on open contempt for the government came last month when she ignored a request by Mr Mandela not to travel on an official trip to west Africa. And when Mrs Mandela returned she took her time before agreeing to meet Mr Thabo Mbeki, the deputy president, who was waiting to hear her explanation.

For one senior ANC official, who has a sneaking respect for Mrs Mandela and who himself often shares her populist line, these acts of defiance and her subsequent letter of apology, which she let everyone know had been dictated by the government, was nevertheless the last straw.

"It undermined the authority of the government," he said. "And once a government loses the respect of the electorate it can get into serious trouble."

It may well be that it was this, above all, that in the end obliged a clearly reluctant Mr Mandela to dismiss his wife. For in the months to come, unless he demonstrates the smack of firm government, the combination of fractious students, militant trade unionists and the homeless, increasingly impatient about government's failure to deliver the million houses a year it has promised, Mr Mandela will find confidence in the ANC seriously undermined.

No-one is more aware of this than Mrs Mandela herself, and as the soap opera rolls on, those expecting a further instalment in the confrontation between the headstrong wife and the long suffering husband are unlikely to be disappointed.

Africa's co-operation sought on natural resources

By Mark Suzman in Johannesburg

President Nelson Mandela yesterday called on African countries to work together to gain the greatest benefits from the continent's oil and raw materials and promised South Africa's assistance for regional initiatives that would encourage this.

Speaking in Johannesburg at the opening of a conference on oil and minerals in sub-Saharan Africa, Mr Mandela said that the new political climate, particularly the advent of democratic government in South Africa, provided an unprecedented opportunity for regional and pan-African co-operation in the exploitation and processing of natural resources.

"Africa provides the bulk of the world's chrome, manganese, diamond, platinum, vanadium and gold, but it uses only a fraction of those commodities itself," he told 700 delegates from across the continent.

"Africa needs to reclaim its minerals by way of indigenisation, by developing our own institutions, by enabling the African entrepreneur to come to the fore."

Specifically, Mr Mandela called on African countries to embark on the mining and production of everyday commodities such as clay for bricks and ceramics and, more importantly, to build capacity for materials that could be used for infrastructure development such as steel, aluminium and cement.

"Instead of importing these value-added products at a massive cost, using scarce foreign exchange, why not turn to our own indigenous resources, enormous but still largely underdeveloped?" he asked.

To help pursue this goal Mr Mandela promised that South Africa would be prepared to overlook short-term national interests that might arise from its comparative economic strength and share the country's considerable scientific expertise.

"History has conferred on South Africa some substantial advantages in mineral affairs and the associated scientific and technological fields," he said.

"We are committed to sharing these advantages with our neighbours and our continent on the basis of equality."

Also speaking at the conference, the managers of South Africa's two largest state-owned enterprises, transport company Transnet and electricity utility Eskom, both promised that their companies were prepared to embark on wide-ranging plans to develop regional infrastructure.

Mr John Maree, chairman of Eskom, said that his company had already started to export electricity to South Africa's neighbours and had developed plans for an electricity grid that would combine coal, gas, and hydro-electric schemes throughout the region.

Mr Anton Moolman, managing director of Transnet, said that even though South Africa currently benefited from the dilapidated state of its neighbours' transport networks by being the primary conduit for exports and imports to the region, he felt it was in the country's longer-term economic interest to help rebuild port and rail infrastructure elsewhere.

US code for business abroad 'disappointing'

By George Graham in Washington

White House officials yesterday outlined a voluntary code of conduct which they hope will stop US companies operating abroad from condoning human rights abuses such as the use of prisoner or child labour.

Negotiations have been under way for months between the administration, business groups and human rights organisations. The final code is deliberately vague on many areas.

It encourages companies to adopt fair employment practices, including the avoidance of child and forced labour, but it does not mention fair wages and has only a tangential reference to reasonable working hours.

Most large US businesses already try to avoid using child or forced labour in their manufacturing abroad, but they opposed tougher language on issues such as the right to organise trade unions or the obligation to pay a fair wage.

The effort to draft a model of behaviour for US companies sprang from President Bill Clinton's decision last year to abandon the yearly US review of China's most favoured nation trading privileges, with the associated assessment of whether China had improved its human rights record.

Mr Warren Christopher, US secretary of state, said the administration wanted to create a "worldwide standard for the conduct of American business", but the focus of the code has been very much on China and other fast-developing nations with poor human rights records in east Asia, such as Indonesia.

But human rights monitoring groups said that, after the administration's promises to make the code a centrepiece of its human rights policy, the end result was disappointing.

"What is positive is that it highlights the role and potential contribution of the corporate community. There is just not much clarity or specificity," said Mr Richard Dicker of Human Rights Watch, a New York-based monitor.

US business groups have insisted, however, that any code should remain very general and leave them a much flexibility. They warn, for example, that the use of prison labour is so widespread in China that it is hard for even the best intentioned companies to avoid it entirely when dealing with sub-contractors.

Even at this level of generality, human rights activists hope that the code could have an effect if local government pension funds exert pressure on the companies they invest in to abide by its terms.

Clinton offers more cuts

By Jurek Martin in Washington

President Bill Clinton yesterday unveiled another stage in his plan to cut the size of government by announcing reforms designed to save $13bn (£8.2bn) and lose nearly 5,000 federal jobs over the next five years.

He also took the opportunity to attack some of the more draconian Republican anti-government plans embodied in the welfare reform bill passed by the House of Representatives last Friday.

"There are plenty of ways," he said, "to reduce the size and cost of the federal government without cutting off lunch for school kids or vital nutrition for infants and their mothers."

The latest rationalisation package is part of the effort to "re-invent government", directed by Vice-President Al Gore. In December, the administration said it would achieve $24bn savings over five years, partly to finance the president's proposed $60bn middle-class tax cut.

The announcement yesterday principally covered the National Aeronautics and Space Administration, the Interior Department, the Small Business Administration and the Federal Emergency Management Agency which deals with natural disasters.

Mr Clinton also accepted a cheque for more than $7bn from the Federal Communications Commission – the proceeds of the recent auction of wireless frequency licences.

The savings at Nasa, which employs about 21,000 directly and has an annual budget of $14.26bn, are to be achieved mostly by reform of contract and procurement procedures.

About 215,000 people work on the US space programme, mostly as private sector contractors and suppliers. Nasa has estimated this total could fall by 55,000, by the end of the century, without sacrificing goals.

The administration is proposing that the National Parks Service, part of the interior department, turn over to the states management and upkeep of some highways.

The interior department would also abolish its Minerals Management Service as a separate entity, turning some functions over to the states and vesting others in the Bureau of Land Management.

Argentine banking safety net near

By David Pilling in Buenos Aires

Argentina's central bank is this week expected to release plans for a $3bn-$4bn (£1.9bn-£2.5bn) banking safety net, aimed to stabilise the financial system and reverse the capital flight that began in reaction to Mexico's recent devaluation.

Mr Roque Fernández, central bank president, said his team was "working against the clock" on draft proposals which "within a short time" would be discussed with domestic and foreign banking associations.

The safety net, to be funded largely by loans from the World Bank and Inter-American Development Bank, is meant to restore public confidence in a financial system shaken this year by bank failures and suspensions.

Since December, at least $5bn, more than 10 per cent of total deposits, has left the banking sector. The outflow stems from public concern that Argentina has no lender of last resort, nor a deposit guarantee system.

The safety net, to be divided into a fund for private banks and another for public institutions, is to address such concerns. The central bank also wants to encourage the contraction of a system overloaded with banks and the privatisation of loss-making state banks.

Mr Fernández said he wanted to have the new system in place before the disbursement of the first multilateral loans, expected in the first half of next month.

He said the banking system, bolstered by this month's announcement of an IMF accord, was gradually returning to normal, but said recuperation would be uneven.

Disappeared but not forgotten

David Pilling finds Argentina's dirty past stirring present politics

Argentines demonstrate against lack of information about the conflict in the 1970s Picture: Marcos Joly

The flights took place every Wednesday. Prisoners were drugged by military doctors and carried, sleeping, on to a naval aircraft. After take-off, doctors would administer a stronger sedative and – constrained by the letter, if not the spirit, of their Hippocratic oath – retire to the cockpit while the executions took place.

Prisoners were stripped naked and carried towards the rear door. They were then flung, alive, into the Atlantic Ocean. More than 2,000 of the 10,000 people who were "disappeared" by the military government during the 1976-83 civil conflict in Argentina, known as the Dirty War, were disposed of in this way.

Details of these macabre operations were published by the Página/12 newspaper recently, in a confession by a former naval officer. He was the first member of the Argentine armed forces to break in public nearly 20 years of silence on the matter.

Retired Lt-Cdr Adolfo Scilingo has re-opened a gruesome chapter in Argentine history and his confession has caused severe discomfort to the Peronist government, which in 1990 pardoned military officers for Dirty War activities.

The government of President Carlos Menem, who has gone so far as to praise the military government for its defeat of "subversion", has been caught flat-footed by the revelations. A call by a federal court to publish microfilmed lists of the "disappeared" have produced disarray in government ranks.

Mr Eduardo Duhalde, governor of Buenos Aires province and one of Peronism's most powerful voices, personified such confusion when he reacted angrily to what he saw as a dredging-up of long forgotten events. With an unfortunate choice of words, Mr Duhalde said he wished the issue "would disappear for ever".

The government's unease was sharpened at the end of last week when mothers of the "disappeared", protesting in Buenos Aires outside what used to be one of the most notorious torture centres, were beaten by police and had water-cannons turned on them. This was captured by cameras of foreign media, whose interest has been awoken by Lt Cdr Scilingo's horrific revelations.

Mr Menem has reacted by promising to publish this week the names of more than 500 victims of military repression. Members of his administration have denied, however, the existence of more extensive lists, saying those were destroyed by the armed forces before the return to civilian rule in 1983.

The perception of many Argentines, encouraged by some opposition politicians such as the presidential candidate Mr José Octavio Bordón, is that Mr Menem has done too little, too late.

Even Lt Cdr Scilingo, who has shown scant remorse for the part he played in the executions, believes "the Republic should know what was done and the lists of those killed should be published,. . . so that, once and for all, we put an end to this strange situation of the disappeared".

Mrs Hebe de Bonafini, president of the Mothers of the Plaza de Mayo, a human rights group, wants to push the issue further: "We don't want the list of the dead, but the list of the assassins – and not only so that we know who they are, but so that we can punish them."

Mrs Bonafini has also vowed to begin legal action against Mr Carlos Corach, interior minister, for injuries sustained by her and others during the demonstration last week.

Editorial pages have begun to draw parallels between the government's reaction to the retired officer's confession and its response to another military scandal, an alleged sale of arms to Ecuador at the height of the Ecuadorean-Peruvian border conflict this year. Argentina, which is one of four guarantors of peace in the Andean dispute, is accused of having sold arms to Ecuador via Venezuela – though it is acknowledged that Argentina may have done so unwittingly.

In spite of tough words from Mr Menem, no one has resigned over any arms sale, which is being investigated by a joint US-Argentine commission. The US and Peruvian governments have both strongly criticised the apparent lack of control that may have allowed $35m (£22m) of Argentine arms to be deployed in a conflict where Buenos Aires was supposed to be a peace broker.

An opinion piece in the newspaper Clarin linked the arms matter with the government's attitude towards the "disappeared" and said both reflected a common theme of Mr Menem's administration: "Political negligence, hardly ever punished, and a lack of transparency."

Such commentary is far from reassuring for a government that, in mid-May, must contest presidential and congressional elections.

Opposing theorists go into battle for the world

For some of the 1,000 delegates from almost 130 countries to the most important meeting on climate change since the 1992 Rio de Janeiro earth summit, it is a last-ditch chance to save the world from further degradation – and perhaps worse – at human hands. For others, the conference that begins today in Berlin's starship-like International Congress Centre and continues over the next week and a half is the final barricade behind which to defend economic development, and even national livelihood, from the threat of new international commitments based on uncertain science.

The meeting, officially called the first Conference of the Parties to the UN Framework Convention on Climate Change, could be a stormy affair against such a background. It has been called to assess, and possibly build on, the agreement reached in Rio between industrialised countries to take action to reduce the risk of climate change.

The Rio wording was deliberately vague to allow the maximum consensus, notably among sceptics such as the US. But for most observers, the Rio accord contained a commitment to cut emissions of "greenhouse gases", such as carbon dioxide, to 1990 levels by 2000.

Such gases form a vital blanket around the earth, causing heat to be retained. But increasing emissions have raised the danger that the blanket could grow thicker, having a severe impact on climate.

Hence the understanding in Rio that western industrialised countries and the former Communist states of eastern Europe and the Soviet Union (collectively called Annex 1 countries in the jargon), would try to cut their rising greenhouse gas emissions.

For environmentalists and some green-minded governments, that was just a preliminary step. The Berlin conference, by contrast, represents the chance to assess progress, examine new scientific evidence and go further.

That involves extending the commitment to more countries – especially the rapidly industrialising states of south-east Asia and South America. Moreover, some deal should be reached for the period after 2000, ideally in the form of a protocol, which will set out targets and a timetable for implementation.

Not everyone shares that enthusiasm. Many newly industrialising nations are loath to accept ceilings on emissions when national growth is booming. And for members of the Organisation of Petroleum Exporting Countries, which depend on exports of fossil fuels for their revenues, cuts in emissions of CO_2 – the main by-product of burning oil and gas – are anathema.

Bridging such a yawning gap is the task before negotiators over the next 10 days. Given the intractability of the problem, many expect the hardest bargaining to be postponed until next week, when civil servants give way to ministers for the final three days until the conference winds up on April 7.

But the drama could begin today. One of the first points on the agenda involves the "rules of procedure" to be followed. Although normally a diplomatic formality, recent environmental gatherings on touchy issues such as whaling have shown that bargaining over procedure can be as significant as the issue itself and an indicator of how matters will end.

If delegates demand unanimity for decision-making, that will leave the door open for hostile, or even sceptical, states to block progress. "All it will take is one veto and the whole thing will grind to a halt," says one prominent environmentalist. Some fear big oil producers such as Kuwait and Saudi Arabia will insist on just that.

But assuming discreet international pressure is enough to avoid blocking tactics, the conference is still strewn with booby traps. Most lie within the divisions between even apparently homogenous international positions.

The Annex 1 countries are broadly agreed that the world's climate is changing and action is needed. But scratch a little further and divisions emerge. Within the industrialised countries of the Organisation for Economic Co-operation and Development there is a rift between the European Union, which has made a collective commitment to cut CO_2 by 2000, and the views of the US, Canada and Australia.

The US position is crucial. The country's huge oil and gas industry, combined with the political weight of Detroit, the car-making capital, has made Washington reluctant to endorse strict commitments on cutting emissions. The language adopted in Rio was a masterpiece of diplomatic double-talk to allow President George Bush to sign a document without fearing a domestic political backlash. Although President Bill Clinton's political agenda is appreciably more interventionist on the environment, the domestic environmental bandwagon has slowed and Mr Clinton faces a Republican-controlled Congress.

So the US will remain extremely wary of putting its name to anything containing specific targets or timetables.

The EU, meanwhile, betrays a patchwork of national positions. Spain, Portugal, Greece and Ireland have resisted individual commitments to cut greenhouse gases because that would stifle economic growth.

By contrast, the Germans are particularly exposed in Berlin. As host nation, Germany is expected to take a leading position, reinforced by the strength of its domestic ecological lobby.

But the government is acutely aware of the obstacles to progress. Mrs Angela Merkel, the environment minister, has tried to steer between the evangelical environmentalism of Mr Klaus Töpfer, her high-profile predecessor, and a practical sense of the possible in Berlin. Of all the participants, the Germans have most to lose from a flop on their home ground.

The developing world is also split. While the oil producers oppose further action, some big developing countries are more agnostic – albeit with a slant towards inaction. China and India, for example, are loath to accept commitments which might impede their rapid industrialisation.

But both are urging the industrialised countries to do more.

Meanwhile, a small group of developing countries is out on a limb. The Alliance of Small Island States, a group of 30 Caribbean and Pacific islands, has tabled a formal protocal for a radical cut in CO_2 emissions.

Their position is influenced by fears that rising sea levels could threaten their livelihoods – and in case of some low-lying atolls, their very existence.

Not surprisingly, the industrialised and developing countries are also at loggerheads. The main bone of contention is "joint implementation" – (JI in the jargon).

JI means swapping greenhouse gas reductions. Some eco-minded industrialised countries are so advanced in cutting emissions that any marginal increase would be hugely expensive compared with the benefit gained. By contrast, deploying the same financial resources in the developing world would achieve a much bigger greenhouse gas cut, which the developed sponsor could count against its own targets.

Although appealing, JI is a minefield. Some developing nations argue it threatens their sovereignty. Others ask why their growth should be constrained to let the developed world off the hook.

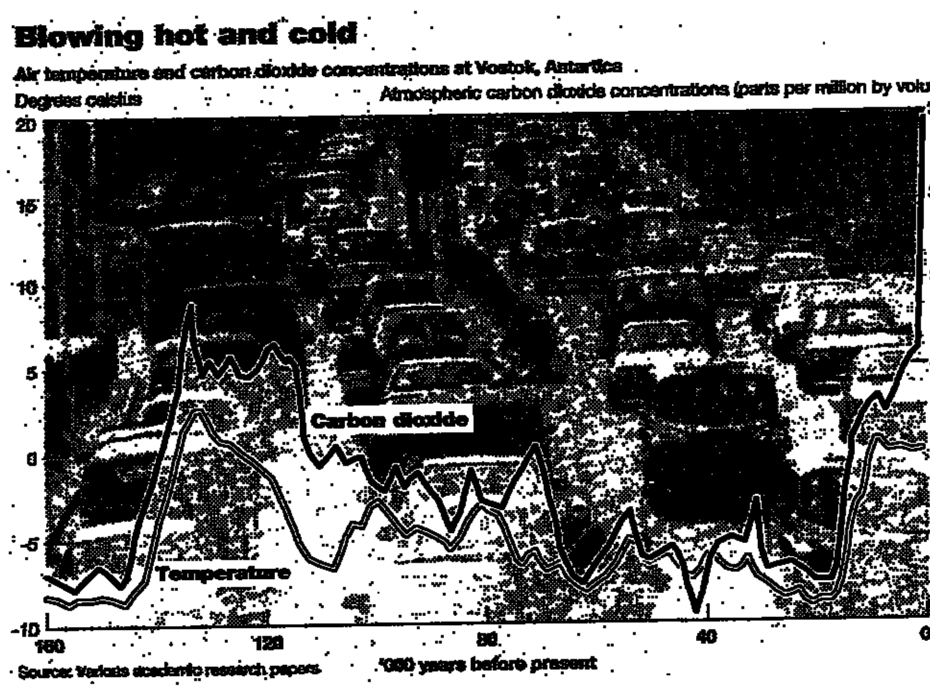
Most say that, rather than paying for reduced emissions in the developing world, industrialised states should concentrate on transferring the latest technology and know-how, as well as the financial resources required, to their poorer neighbours.

With such a formidable range of difficulties, it is no wonder many are cynical about what Berlin will achieve. Most observers have long discounted the possibility of agreeing a new protocol or on extending cuts in greenhouse gases beyond 2000. Rather, the measure of success will be whether Mrs Merkel manages to secure accord on a process of further negotiations aimed at reaching agreement on a new protocol by the next big international climate change conference in 1997. And even that is not a foregone conclusion.

Haig Simonian

Case for action strengthens as signs point to global warming

The scientific case for action against global warming has two parts. There is an undisputed theoretical foundation – that fossil fuels are being converted into carbon dioxide, a "greenhouse gas" that traps solar heat in the atmosphere – supported by a controversial body of evidence about the extent to which the world is heating up.



No one has yet been able to prove that human activities are making the world warmer, because the climate is subject to so many natural fluctuations. However, the weight of evidence supporting such a link grows stronger every year.

Few climatologists have any sympathy with "greenlash" commentators, who they say make too much of the scientific uncertainties and suggest that environmentalists have exaggerated the dangers of the greenhouse effect.

The average global temperature has risen by about 0.5 degrees C this century. (The increase has not been steady; it took place in two main bursts, first between 1920 and 1940 and then between 1975 and 1990.)

Scientists at the Hadley Centre, a climate research institute run by the UK Meteorological Office, say the observed trend in global temperatures since 1860 matches what they would expect from the greenhouse theory.

The warming, caused by an increase in atmospheric CO_2 concentration from 280 parts per million to 360 ppm, has been partly counteracted by a cooling effect of industrial pollution. The latter is caused by sulphate particles which reflect some of the sun's heat back into space. (Large volcanic eruptions such as that of Mount Pinatubo in 1991 can cause temporary cooling in the same way.)

Computer models of the atmosphere and oceans, run at the Hadley Centre and other climate research institutes, suggest that global temperatures will rise between 1.5C and 4.5C over the next century unless the world agrees on drastic action to curb CO_2 output.

Warming on that scale would have a devastating effect on the natural biological balance and on human life in some parts of the world.

Most dramatic would be the rise in sea level. According to the recent measurements by satellite, average sea level is creeping up by 3 millimetres a year. Within a century this could submerge some low-lying islands and cause severe periodic flooding in population centres such as Bangladesh, the Nile delta and the Netherlands.

Global warming is expected to have a very uneven meteorological impact around the world, as circulation patterns in the atmosphere and oceans change.

Some places may even become cooler, at least temporarily, while others become much hotter. Some will become wetter and more stormy, others drier. But climatologists do not yet have a clear idea of the likely regional changes.

The pattern over the past century has been for the polar and sub-polar regions to warm up most rapidly. The great belt of northern coniferous forests across Siberia, Alaska and Canada is 2C warmer than 100 years ago – and the spruce and pine trees are beginning to suffer stress through increased infestation by pests and loss of moisture.

The coastal regions of Antarctica warmed up by 2.5C over the past 50 years, according to the British Antarctic Survey. Three large ice shelves have disintegrated recently and this year, for the first time in recorded history, James Ross Island is not connected by ice to the Antarctic peninsular.

"Looking out of the aircraft window I was utterly amazed to see the dramatic and very recent changes to the Larsen ice shelf," said Dr Mike Thomson, BAS chief geologist. "In 25 years of Antarctic field work I have seen nothing like it."

Many scientists are hoping that governments will take action to restrain CO_2 output before such dramatic changes are seen in more populated parts of the world.

Clive Cookson

Haig Simonian talks to three environment ministers

Caught in the green spotlight


Merkel: hosting the talks

No one is more on the spot in Berlin than Mrs Angela Merkel, Germany's new environment minister. Hosting the conference, she has to steer extremely difficult negotiations to a successful conclusion.

Moreover, her every move will be analysed by Germany's vociferous green lobby. And Mrs Merkel, the daughter of an evangelical minister who was brought up in the former East Germany, knows she is constantly being measured against Mr Klaus Töpfer, her highly interventionist predecessor.

Her aims for Berlin focus on achieving a "clear negotiating mandate and a timetable" for a new protocol, along with some accord on what additional measures may be necessary to cut greenhouse gases. She also hopes to gain some understanding on how joint implementation should work. "If we as industrialised countries pin ourselves down, the developing world might be more prepared to go along," she says.

Mrs Merkel's pragmatism has disappointed many environmentalists, who would like her to adopt a much more ambitious stand. Her answer, however, is to see the conference in perspective.

"The European Union's wish to stabilise or reduce emissions beyond 2000 is a coherent position," she says. Although it is "below the minimum" of what is necessary, even achieving that would be "a success".

She says: "I hate the idea that one person knows what's good for the world, but I think Germany has a role as an industrialised country which already has a relatively strong position in environmental technology. We should go a bit faster than others."

Paving the ground for 1997


Baratta: Italy on target

For a country in the throes of political upheaval and ruled by a government composed of non-elected technocrats, Italy seems surprisingly willing to raise its head above the parapet in Berlin.

Mr Paolo Baratta, the erudite ex-banker who is now environment and public works minister, stresses the importance of at least agreeing to prepare a protocol for further greenhouse gas reductions by the next international climate conference in 1997.

The new arrangement could thus "enter into force immediately after the year 2000," he says.

Italy's main influence may be in helping to persuade developing countries that they must share the burden of reducing greenhouse gas emissions. "If nothing changes, global CO_2 emissions will be twice as much as they are now, although the developed countries will have stabilised their own outputs," he says.

"Obviously, we don't want to prevent economic growth in developing countries. But we have to take common decisions based on common rules for our common future."

Mr Baratta is fairly confident Italy will be able to meet its own CO_2 reduction target. According to the country's formal submission to the UN in January, Italy had already achieved almost 85 per cent of its CO_2 reduction goal. He also notes that Italy's rate of 7.2 tonnes of CO_2 emissions per head compares with an OECD average of 12.1 tonnes a head and is the lowest of all the OECD members.

As in the UK, the bulk of the CO_2 fall has come in the energy sector.

Determined to force the pace


Gummer: outdoing Rio

Mr John Gummer, Britain's environment minister, astonished European colleagues earlier this month by going further than the Rio targets for reducing greenhouse gases and calling for a cut of 5-10 per cent below 1990 levels by 2010.

Mr Gummer denies the move was a publicity stunt to claim the moral high ground. "We have to restate the seriousness of the problem. The latest evidence makes even more imminent the damage done by global warming," he says.

He denies his stand has left Britain out on a limb. "The European Union position is not closed, and I thought it right to stake a position rather more forcefully than that. I do think the UK should force the pace, especially given the high-powered research we have."

Cynics would say his approach stems largely from the knowledge that Britain will be one of the few countries in Berlin showing it should meet its deadline to cut CO_2 emissions to 1990 levels by 2000.

Although he admits the target has been met because of the switch to cleaner natural gas-fired power stations from dirtier coal-burning plant, Mr Gummer tacks on a political message. "That would not have been possible without privatisation. Selling off the generating sector created a much more flexible environment."

Mr Gummer wants the targets extended to all greenhouse gases. He wants developing states to recognise they have a contribution to make.

Free transport and pedal power

The conference is taking place at Berlin's massive International Conference Centre which resembles a space ship and flanks an urban motorway alongside Berlin's big trade fair.

The first seven days will involve civil servants; their political masters take over the baton for the final three days, with Germany's Chancellor Helmut Kohl opening the ministerial level proceedings on April 5.

About 166 nations have signed the UN Framework Convention on Climate Change. But voting will be restricted to the 117 that have ratified the document (118 including the European Union, which counts as a state in its own right). In addition, another eight delegations will attend as non-voters and a large number of nations will be present as observers. The UN reckons there will be about 1,000 delegates in all, matched by an equal number of representatives from non-governmental lobbies such as Greenpeace. And a conference wouldn't be a conference without an estimated 2,000 accredited journalists.

Germany's former – and future – capital is infamous for its *alternativen* (left-wing radicals). At the World Bank/IMF meetings in 1988, the *alternativen* were particularly active in demonstrating their antipathy to the leading representatives of the world's capitalist community. Although not all are in tune with the Green movement, they are expected to be much more accommodating this time.

A variety of fringe events are expected, including illuminating meetings such as "The effects of climate change policy on indigenous peoples" and "The Churches and Climate Protection".

Probably the most entertaining will be the "car-free Sunday" planned for April 2, which will feature the world's biggest bicycle gathering with an estimated 100,000 participants.

The bulk of the cost will be met by the German government and the Berlin city authorities, although participants will pay most of their own bills. But in a small gesture to save on fossil fuels, the Berlin regional transport authority has decided to let delegates use the city's excellent public transport system free during the gathering.

Veterans of Rio will have to forsake the chance of going to the beach in quiet moments. Berlin may be a cultural paradise, but so far the weather has proved every bit as fickle as is to be expected at a climate change conference, with radiant sunshine on Sunday followed by heavy snow yesterday.

New cash for Pergau project 'unlikely'

By Kieran Cooke in Kuala Lumpur

The Malaysian government is unlikely to agree to a claim by a British-led consortium for an additional M$160m ($63m) for construction work on the controversial Pergau dam project.

According to the government, Kerjaya Balfour Beatty Cementation, the British dominated consortium carrying out the bulk of the work on the M$1.8bn dam, made the request for extra payment due to "unforseen difficulties" that had arisen in the project, including the construction and reinforcing of multiple underground tunnels at the dam site.

Mr Anwar Ibrahim, the deputy prime minister and finance minister, said that while it was normal for contractors to ask for some additional funds to complete projects, the amount requested by the Balfour Beatty consortium was far in excess of the payment ceiling stipulated in the original contract.

Mr Anwar said agreeing to the consortium's request would set a dangerous precedent.

"Negotiations may go on but it will be very tough for the Treasury to accede to the request," said Mr Anwar.

The Pergau project has been at the centre of a row concerning British aid and trade policy. Last year the British government was forced to admit that there was a "temporary entanglement" between a £234m soft loan for Pergau and a £1bn sale of British arms for Malaysia. Several senior UK aid officials had been opposed to the Pergau loan, calling it "a waste of taxpayers' money."

UK development aid campaigners successfully fought a legal battle last November to have the aid for Pergau declared illegal. Subsequently the UK government said it would stand by its financial accord with Malaysia and fund the soft loan out of other sources.

Investors head for Kazakhstan

By Frances Williams in Geneva

Energy-rich Kazakhstan and Russia have become the most favoured destinations for long-term foreign investment projects among eastern European and former Soviet economies, according to a United Nations study.*

However Hungary and Poland continue to pull in the largest amounts of near-term investment.

Statistics compiled by the UN Economic Commission for Europe show that, taken over the lifespan of the projects, Kazakhstan accounted for 39 per cent of total foreign investment commitments in the region by the end of 1994.

Russia came next with 31 per cent and third was Hungary with just 8 per cent of the total.

The figures refer to investment projects worth at least $10m, some of which may have lifespans as long as 25-40 years.

At the end of 1994 the total amount of committed foreign investment was $117.8bn, covering 215 such projects in eastern Europe and the former Soviet Union.

Kazakhstan and Russia together account for more than$82bn of this, mainly for oil and gas exploration and development.

This also helps explain the predominance of US-based companies in long-term investment in the region, accounting for more than half the total funds so far committed.

Hungary, Poland top near-term investment

Turkey is the second biggest foreign investor with 13 per cent, while western Europe has a combined share of about a third.

Initial investment, funds to be spent within the first four years of a project's life, shows a different pattern, the ECE points out.

Hungary, consistently the most successful country in the region in attracting foreign direct investment (FDI), accounted for 27 per cent of total initial investment of $17.2bn at the end of last year.

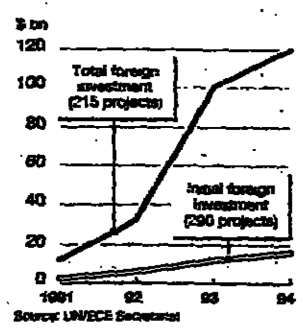
Poland ranked second with 24 per cent, followed by Russia (15 per cent), Kazakhstan (14 per cent) and the Czech Republic (8 per cent).

Western European firms accounted for 43 per cent of the total funds to be spent in the first four years, with American companies putting up about a third.

Japan's share of investment funds was less than 1 per cent at the end of 1994.

● *East-West Investment News, Spring 1995, available from UN Publications, CH-1211 Geneva 10, fax +41 22 917 0027, $80 for four quarterly issues.*

Eastern Europe: growth of foreign investment



Source: UN/ECE Secretariat

GM to expand activities in Hungary

By Kevin Done in Budapest

General Motors of the US, the world's biggest vehicle maker, is to invest DM257m ($182m) in Hungary to double the capacity of its engine plant to 460,000 units a year.

GM is also planning to build a new facility to manufacture engine cylinder heads at its plant at Szentgotthard in western Hungary, raising its total investment in the country to nearly DM700m.

GM began production of engines and low-volume car assembly in Hungary in 1992.

It has also built a 150,000-units-a-year car plant at Eisenach in eastern Germany, and late last year began low volume car assembly in Poland in a joint venture with FSO, the Polish state-owned carmaker.

The group is considering further expansion in Poland.

"If we are going to add assembly capacity, east Europe ranks very high on the list of consideration," said Mr Richard Donnelly, president of General Motors Europe.

Labour costs were still about one eighth of the level of Germany, the highest cost location in Europe, where GM still has the main concentration of its European operations, said Mr Ernst Hofmann, managing director of Opel Hungary.

GM was seeking to increase its investment in eastern Europe to develop lower cost sources for the supply of components, to diversify its manufacturing locations and to meet growing local demand, said Mr Donnelly.

GM was the first vehicle maker to produce cars in Hungary and last year it led the market with a share of 22.3 per cent. The overall market rose by 22.2 per cent to 91,353 vehicles in 1994. Sales were still well below the 1990 level of 146,000 vehicles, and there are fears that recently announced tax increases could hit demand this year.

Last year GM produced 160,000 engines and 12,280 cars (the Opel/Vauxhall Astra small family car) at the Szentgotthard plant.

Mr Ernst Hofmann, managing director of GM Hungary, said that capacity to produce 460,000 engines and cylinder heads a year – with the plant working round-the-clock on three shifts a day – should be completed by late 1996.

The additional investment will add 220 new jobs raising the total workforce at the Szentgotthard plant to 850.

The US vehicle maker began its project in Hungary as a joint venture with Raba in which the Hungarian engineering group held a 35 per cent stake. However GM said yesterday that it had recently acquired the outstanding stake held by Raba, however, and had taken over 100 per cent ownership of Opel Hungary.

Mr Donnelly said the Szentgotthard plant had played "a pioneering role" for GM in central and easternEurope and formed the biggest inward investment by a vehicle maker in Hungary.

Separately Suzuki, the Japanese carmaker, is developing a 50,000-units-a-year car assembly plant at Esztergom, while Audi, the executive car division of the Volkswagen group of Germany, has built an engine plant at Győr.

Audi is planning to invest DM730m in the Győr plant by 1998/99 to establish capacity to produce 2,000 engines a day.

Belize irked by US over banana regime

By Nancy Dunne in Washington

Mr Manuel Esquivel, the prime minister of Belize, yesterday warned of political unrest in the Caribbean and immigration risks for the US as a result of US trade complaints against the EU banana import regime.

He said the turmoil and strikes in St Lucia arose from uncertainty over the EU banana regime.

Mr Esquivel was in Washington yesterday to meet US trade officials and to reiterate that the Caribbean needs to maintain its current 10 per cent share of the EU market.

Prime minister Esquivel warns of political unrest in the Caribbean

The EU banana regime allows the higher priced Caribbean bananas to be competitive in Europe.

Mr Esquivel said he had been assured by Mr Mickey Kantor, US trade representative, at the Summit of the Americas last year, that the US understands the importance of EU preferences.

In December, the US and other members the General Agreement on Tariffs and Trade agreed to extend the waiver for the Lomé Convention, under which the banana regime is established, to the World Trade Organisation.

Early this month, Common Cause, the citizen lobby group, released a report showing contributions of $580,000 from Mr Carl Lindner, the owner of Chiquita which produces bananas in Latin America, and related businesses to both the Democratic and Republican parties and to the political action committee established by Mr Newt Gingrich, the House speaker.

The report says pressure was brought to bear by senators and congressmen of both parties on Mr Kantor to pursue Chiquita's complaints of quotas and high tariffs by the EU on banana imports.

According to the report, Republican and Democratic leaders wrote to the Clinton Administration urging "immediate retaliation hearings against the EU proportionate to the enormous US harm" already caused by the EU banana regime.

The case is unusual because Chiquita has almost no production in the US and retaliation under Section 301 of US trade law, Section 301 is requires the demonstration of injury to US commerce.

WORLD TRADE NEWS DIGEST

US and Japan open car talks

The US and Japan yesterday resumed talks on opening the Japanese market for vehicle and vehicle parts to greater foreign competition. This sector accounts for more than half of the US trade deficit with Japan. US negotiators called a halt to earlier rounds of talks last month, citing wide differences. Mr Jeffrey Garten, US undersecretary of commerce for international trade, appeared cautiously optimistic that progress could now be resumed in the 18-month old negotiation. Both sides recognised that "we need to move very quickly to conclude these negotiations," said Mr Garten.

Mr Garten said Japan had accepted the principle of historical objective indicators – but not targets – to monitor the progress of an accord, but there was no agreement on what statistics to use. It was difficult to conceive of a plan without numbers, he said. *William Dawkins, Tokyo*

Philippines telecom venture

Nippon Telegraph and Telephone Corporation, the Japanese telecoms group, will invest $123m in a joint venture with a Philippine company, Smart Communications. The tie-up, which follows legislation to liberalise the Philippine telecoms sector, would enable Smart to install 700,000 telephone land lines in the company's franchise areas.

Smart Communications, which is partly owned by Metro Pacific, the Philippine subsidiary of First Pacific, is expected to benefit from NTTC's technical manpower skills and fixed wire technology. The first phase of the installation programme will be completed by December. The recent law requires the eight companies which have won licences to install new lines in mixed franchise areas consisting of one lucrative and one economically backward region. The government says this is the best way of ensuring that widespread social benefits will result from the opening up of the telecoms sector. *Edward Luce, Manila*

■ LA Rumbold, the aircraft lavatory manufacturing subsidiary of BSG International, the UK components and vehicle dealing group, has won a $75m contract to supply all the lavatory modules for Boeing's next generation of 737 aircraft, scheduled for service in 1997. *Paul Cheeseright, Midlands Correspondent*

■ GEC Alsthom, the Anglo-French power engineering group, is setting up a joint venture, Tianjin GEC Alsthom Hydropower, to make hydraulic turbines and generators in China. The new company, based at Tianjin, will be 51 per cent owned by GEC Alsthom and 49 per cent by the Tianjin Power Equipment Manufactory. *Andrew Baxter, London*

■ Eurokraft, a consortium of 22 Norwegian hydroelectric producers, yesterday announced a $710m deal with RWE Energie, a unit of RWE, the German industrial group, and utility Hamburg Elektrizitätswerke to build a power transmission cable between Norway and Germany. RWE Energie and HEW established a 50/50 joint venture called EST Eurostroem which, in turn, formed Eurokabel with Statnett, the Norwegian grid operator. Eurokabel will manage the construction and operation of the 600 MW cable between the two countries and the required converter stations. *Karen Fossli, Oslo*

■ A Danish-Lithuanian consortium was yesterday awarded a licence to produce oil from a 1,000 sq km area of Lithuania south of the port of Klaipeda. The Lithuanian partner in the consortium is the state oil group Naftos Geologijes Imoné (NGI). The Danish consortium is headed by Dansk Olie og Naturgas, the state oil and gas group, which will be operator for the 50-50 Lithuanian venture. Total reserves in the area are estimated to be about 18m barrels. *Hilary Barnes, Copenhagen*

Takemura hints at need for rate cut

By Gerard Baker in Tokyo

Mr Masayoshi Takemura, Japan's finance minister, hinted yesterday that the government would like the Bank of Japan to cut interest rates to offset the damaging effects of the soaring yen on the country's fragile recovery.

The minister told journalists that the finance ministry continued to believe in a "flexible" monetary policy, and had conveyed its views to the bank. But, he added, "the central bank is exclusively in charge of what to do with its key interest rate". Mr Takemura said the government was pursuing fiscal and monetary policies intended to provide a necessary stimulus to the economy.

A supplementary budget for the new financial year beginning next month would be submitted to the Japanese parliament during its current session, which ends in June, he added. The new budget is aimed primarily at increasing spending on construction work in the Kobe area following January's earthquake.

"The government will maximise its efforts to undertake appropriate fiscal and monetary policies to ensure that Japan's economy, now in a recovery phase, will be put smoothly on a growth path," he said.

The minister's remarks will add to the pressure in recent weeks from industry and government ministers for immediate action to halt the yen's rise and bolster business confidence. The Japanese currency has risen by more than 8 per cent against the US dollar in the last month, damaging export prospects for Japan's already hard-pressed manufacturers.

A Bank of Japan spokesman said the central bank did not interpret the minister's remarks as a request from the government for a cut in the official discount rate. He added that the bank was continuing to monitor monetary developments closely. In his last pronouncement on the subject two weeks ago, the governor, Mr Yasuo Matsushita, said: "We will not change our basic stance in monetary policy just because of the yen's rise."

But analysts suspect that the growing chorus of demands for a cut in rates may prove difficult to resist if the economy shows clear signs of sliding back into recession.

Responsibility for monetary policy in Japan is divided between the ministry and the central bank. Although the ministry sets the basic framework of economic policy, the bank has some flexibility in determining the course of interest rates.

The extent of that flexibility depends to some extent on the character of the governor himself. Mr Matsushita's predecessor, Mr Yasuhi Mieno, pursued an aggressively independent track for most of his tenure, tightening monetary policy to crush inflationary pressures in the early 1990s. So far it is unclear whether Mr Matsushita is made of the same mettle.

■ Real household expenditure fell by 4.2 per cent in January from a year earlier, according to the government's household survey published yesterday. Analysts said the decline, the steepest for nearly a year, suggested consumer confidence might have been damaged by the Kobe earthquake.

Dispute over contractor for new reactors threatens accord

Pyongyang proposal keeps hopes of nuclear deal alive

By John Burton in Seoul and Peter Montagnon in London

North Korea yesterday offered a fresh proposal for resolving the impasse in talks with the US over who should supply the reactors promised as part of last October's agreement to stop its domestic nuclear programme.

The proposal came at the end of three days of talks in Berlin which had earlier seemed on the brink of foundering because of Pyongyang's refusal to allow South Korea to supply the new light-water reactors.

No details were made public, but the proposal raised hopes that a basis could be found for keeping the nuclear deal alive.

A US official said the talks, which were adjourned two days ahead of schedule, would resume after Washington had considered the North Korean proposal. Contacts were also continuing informally in Berlin last night.

Disagreements on the selection of a contractor to supply the new reactors have proved a serious threat to last year's accord under which Pyongyang promised to freeze its nuclear programme and stop building plutonium-producing graphite reactors in return for safer models.

North Korea has threatened to scrap the accord and start reprocessing nuclear fuel for a suspected nuclear weapons programme if a reactor contract is not signed by April 21, a deadline stipulated in the accord.

However, North Korean negotiators in Berlin indicated that Pyongyang might allow the deadline to pass without abandoning the agreement, according to the South Korean news agency Yonhap. Under the agreement North Korea is to receive oil supplies, technology transfer and diplomatic recognition by the west.

The US has insisted that Pyongyang must accept the reactors from South Korea. Seoul has offered to finance more than half the $4bn (£2.4bn) project, which is being administered by a US-led international consortium, the Korean Peninsula Energy Development Organisation.

The October agreement did not specifically name the reactor contractor, although its description of the reactor conformed to the US-designed model being offered by South Korea.

US officials have also said it would be impossible to finance the deal unless South Korea provided the reactors as no other country would be willing to give the concessional terms stipulated.

In an announcement that appeared timed to the Berlin talks, the Seoul government's Korea Heavy Industries and Construction group said yesterday that it had completed manufacturing the first reference model of the light-water reactor being offered to North Korea.

Pyongyang has been resisting the South Korean reactors because of prestige. It also fears that South Korea would obtain a stranglehold over its nuclear energy programme since the new reactors use imported uranium fuel.

North Korea is trying to use the reactor issue to drive a wedge between the US and South Korea and isolate the Seoul government. Some believe it is also seeking additional help to develop its national electricity grid.

North Korea's official objection to the South Korean reactors is that they are operationally untested and potentially unsafe. South Korean President Kim Young-sam warned last week North Korea would be "punished by the world community" with sanctions if the nuclear deal collapsed. But the possibility of the UN imposing sanctions on North Korea appears slim because of implicit Chinese support for Pyongyang in the nuclear dispute.

Russia has also expressed reservations about forcing North Korea to accept South Korean reactors instead of Russian ones.

Kim Young-sam: North Korea will be "punished by the world community" with sanctions if the nuclear deal collapses

Japanese mission tests diplomatic waters

William Dawkins examines implications of a N Korean tour

Relations between Japan and North Korea may become closer as a result of today's arrival in Pyongyang of the most senior Japanese political delegation for five years.

The three-day mission, led by Mr Michio Watanabe, a former foreign minister, is ostensibly in the name of the three ruling coalition parties, rather than the Japanese government.

Yet the mission has the blessing of the foreign ministry, which has sent two senior officials – a deputy director general and a deputy director – plus two interpreters and a protocol message which will be read with care in Pyongyang.

Mr Watanabe, a senior member of the Liberal Democratic party, will be accompanied by the deputy leaders of his coalition allies, the Social Democratic party and the New Harbinger party. Coalition officials say they hope to meet Mr Kim Jong Il, the North Korean leader, and prime minister Kang Song San.

They aim to test the ground for the resumption of diplomatic normalisation talks, broken off in 1992 when Tokyo demanded news of a Japanese woman allegedly kidnapped by North Korean agents.

If successful, the trip could also open the prospect of Japan taking an intermediary role between the two Koreas at a time when their relations are in the balance.

Pyongyang's commitment, last October, to freeze its suspected nuclear arms programme was greeted with relief by all its neighbours. Yet the north's refusal to accept modern nuclear reactors from the south has cast a shadow over the accord.

The Japanese visit comes a few weeks before the April 21 deadline, agreed with the US, under which the north is to conclude a supply contract for new reactors.

Japan has in recent years undertaken an increasing amount of behind-the-scenes diplomacy in Asian trouble spots and would seize an opportunity to pursue this approach with North Korea.

Contacts between Pyongyang and Tokyo have not been so intense since 1990, when Mr Shin Kanemaru, at the time a senior LDP politician, was invited to Korth Korea to meet Mr Kim Il-sung, the late leader.

The LDP started making contact with North Korea last autumn, after North Korea's nuclear accord with the US was taken in Tokyo as a signal for better relations.

But the trip was then delayed by an internal Japanese coalition row, not completely resolved, over how to handle a controversial declaration, by the Kanemaru mission, calling on Japan to give post-war compensation to North Korea.

That declaration had now been "virtually" shelved, said Mr Tomiichi Murayama, the Japanese prime minister.

This is an opportune moment, in Japanese domestic politics, for closer ties with North Korea.

Both the LDP's coalition partners have historic ties with the Pyongyang regime and draw support from the 680,000 people of Korean extraction living in Japan.

Local elections, the biggest test of the government's popularity since it took power last June, take place next month.

ASIA-PACIFIC NEWS DIGEST

Thatcher helps Sino-UK thaw

Mrs Margaret Thatcher, Britain's former prime minister, begins a three-day visit to Beijing today in a sign of gradual improvement in strained Sino-British relations. She will be received by senior officials including Mr Li Peng, the premier, and Mr Qiao Shi, the powerful chairman of the standing committee of the National People's Congress, or parliament.

Although Mrs Thatcher's visit is being described as "private" there is no doubt that China will attach diplomatic importance to the event. Britain and China have been working towards what officials describe as the "gradual resumption" of normal relations since last year. Mrs Thatcher's presence in Beijing will be part of this process.

Her visit will be the forerunner of other high-level Sino-British exchanges in the next few months, including an expected visit in May by Mr Michael Heseltine, trade and industry secretary, at the head of a business delegation. Mr Heseltine will be the most senior British official to visit China since Mr Douglas Hurd, the foreign secretary, visited Beijing in July 1993. Mr Edward Heath, another former prime minister, is expected in Beijing next month. He has been a regular visitor to China over the past decade. Mrs Thatcher will be a guest of the People's Institute of Foreign Affairs, a government body which hosts high-level visitors who are not serving members of government.

Sino-British relations deteriorated after Governor Chris Patten defied Beijing and pressed ahead in 1993 with plans to broaden democratic institutions in Hong Kong. Protracted negotiations between China and Britain aimed at defusing the row over the Patten reforms faltered last year, but both sides have sought in the past six months to improve working relations. However, contentious subjects, notably the fate of a proposed supreme court in Hong Kong, have still to be resolved. *Tony Walker, Beijing*

Forward trades call for India

Forward trading, with checks and balances, has to be introduced on Indian bourses to improve liquidity of traders, an expert committee has recommended. Badla, a form of forward trading, was scrapped 15 months ago after brokers misused the system. Since then the securities and exchange board of India, Sebi, has been searching for an acceptable and transparent alternative. The committee's report identified lack of liquidity in the stock market as a problem that needed immediate Sebi attention. It suggested that the exchanges adopt the mark-to-market system, with brokers depositing cash on a weekly basis as margin money for the trades they put through. At present the margins are on a fortnightly basis co-terminus with the settlement. The margins should be both on sellers and buyers. The report said strict enforcement should be entrusted to independent certified accountants and the cash margins would have to be on "gross" and not on "net" trades as is vogue at present. The Sebi is expected to accept the recommendations. *R C Murthy, Bombay*

Labor edges 'nearer to victory'

The Labor party moved a step closer to victory in the fiercely contested New South Wales state elections yesterday, when it claimed to have wrested the Blue Mountains seat from the Liberal party. Voting on Saturday left Labor and the Liberal-National parties with 46 seats each. Two independents have also been returned, one of whom is a conservative who generally votes with the Liberals-Nationals. The Blue Mountains seat takes Labor's tally to 47 – although the Liberals have not conceded defeat with four seats still to be decided by postal votes and the allocation of preferences. *Nikki Tait, Sydney*

Khmer Rouge clash with army

Cambodian army units have clashed with Khmer Rouge guerrillas near the north-west rebel stronghold of Phnom Malai but a senior army commander denied yesterday that the army intended to capture the base. Lt-Gen Nhek Bun Chhay said: "Three days ago Khmer Rouge came to an area called Klar Ngap south of Poipet but they were intercepted by the army. We don't have any plan to attack Phnom Malai." However, defence officials said the government was mobilising its forces close to the base and had deployed four new T-55 tanks. One said Thai military commanders on the border told their Cambodian counterparts by telephone earlier in the day that shells which had landed in Thailand could have been fired from Khmer Rouge positions at Phnom Malai. The Thais said the Khmer Rouge might have fired the shells to upset Thai-Cambodian talks scheduled for tomorrow. *Reuter, Phnom Penh*

Thai cabinet poised to ring telecoms changes

By William Barnes in Bangkok

The Thai cabinet is today expected to approve a plan to free up the country's telecommunications industry, which will ultimately lead to the privatisation of the two state-owned monopolies controlling fixed-line and international communications.

The cabinet could also approve the proposed installation of an additional 1.9m telephone lines, giving the country a telephone penetration of 10 lines for every 100 people by the year 1996.

The decision to introduce more competition in a highly lucrative industry, where Thailand hopes to become a regional force, will herald several years of intrigue, haggling and probably outright resistance.

A proposal by Mr Vichit Surapongchai, the transport and communications minister, to split the country into competing zones has apparently been abandoned in the face of fierce resistance from powerful private sector players and the state monopolies.

The next big wave of contracts for 6m fixed lines by the year 2001 will probably be divided up between existing franchise holders and the state-owned operators.

However, in an interview, Mr Vichit said the fixed-line telephone network could be privatised soon. "We can really start pushing them... the implementation stage could be as soon as two years from now."

The minister reckoned that with the "very strong" demand for telecommunications, and a widespread feeling that the current building programme was too feeble, the public was "quite agreeable to the idea that freedom to compete and freedom to offer services would be in their interest".

Coopers & Lybrand, the British accountancy firm, has advised the Telephone Organisation of Thailand – which controls the domestic telephone system – to give an international strategic partner a 25 per cent stake before floating off 21 per cent on the stock market and giving 5 per cent of the equity to employees.

> 'We need private sector help to develop the appropriate technology for the 21st century'

British Telecom and the German state-owned Deutsche Telekom have offered themselves as potential strategic partners even though full privatisation could be years away.

The TOT's autonomous sister, the Communications Authority of Thailand, which controls the international telephone business, could be easier to overhaul because its management is considered more outward looking and it will be a relatively lean organisation once, as expected, the postal service is stripped from it.

Mr Vichit warned that an economy expanding at about 8 per cent a year could run into big difficulties if it failed to introduce healthy competition. He said: "Not least, we need private sector help to develop the appropriate technology for the 21st century."

The minister said the telecoms plan would strip the two monopolies of their regulatory roles, with the creation of a National Telecommunications Committee which would also co-ordinate the government's communications policy.

The TOT and the CAT, as pure operators, will then link with private companies – either foreign or domestic – for capital, technological know-how and entrepreneurial spirit.

Mr Vichit said that the days of the "rather outdated" telecommunications franchises were numbered. Current concession holders' contracts were likely to be renegotiated to make them equity partners with the privatised national organisation or competitors in their own right. Investors with contracts fixed for a certain number of years were reluctant to inject too much capital into a project which they knew that one day would be taken away from them.

"It also becomes highly political. Each time you give out a concession you are accused of favouring a certain group and not others. We don't need to go through this very painful process every time – deregulation should be much more natural, more healthy."

The main franchise holders are TelecomAsia, a subsidiary of the CP Group, and TT&T, which have build-operate-transfer contracts for 2m fixed-line telephones in Bangkok and 1m lines in the provinces.

The Shinawatra and United Communication Industry groups have such a head start in their separate, lucrative cellular phone franchises that it is difficult to imagine a third player making a significant impact on the market now.

China takes credit for MasterCard growth

By Nikki Tait in Sydney

MasterCard, one of the leading credit card companies, estimated yesterday it could have about 100m-120m cards in circulation in the Asia-Pacific region by the turn of the century. It had 39.5m cards in the region at end-1993, and just over 53m last year.

Mr Gene Lockhart, chief executive of MasterCard, said the company had seen a growth rate of 45 per cent in terms of the dollar volume of card transactions in the region last year, and 63 per cent in the previous 12 months. He said he would be "disappointed" if a target of about 100m cards was not met by the year 2000.

"This could easily be our largest region over 10 years," the New York-based executive added.

Already Asia-Pacific is the second most important region for the credit card company, ahead of Europe, Canada, Latin America and the Middle East. The US, however, remains MasterCard's biggest market by a large margin at present, with 116m cards in circulation at end-1993.

Mr Lockhart said the fastest growth within Asia-Pacific had come in China, although Korea had also notched up rapid expansion.

He acknowledged that the company needed to understand the Chinese market better: "It's such a complex beast – it's not one country at all. I think how we approach that massive subcontinent is going to be very important. We've only scratched the surface."

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

■ UNITED STATES

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.1	99.4	85.0
1987	105.6	100.7	103.9	96.7	76.1
1988	109.9	103.2	106.8	99.1	71.0
1989	115.2	108.5	109.9	101.1	74.9
1990	121.5	113.9	113.5	104.3	73.3
1991	126.6	116.3	117.3	107.8	74.3
1992	130.4	117.7	120.1	108.4	74.1
1993	134.3	119.2	123.1	107.7	76.5
1994	137.8	119.9	126.5	105.1	74.4
1st qtr.1994	2.5	0.2	3.2	−1.0	77.0
2nd qtr.1994	2.4	−0.2	2.7	−2.3	75.7
3rd qtr.1994	2.9	1.3	2.6	−3.4	73.2
4th qtr.1994	2.7	1.3	2.4	−2.8	71.8
March 1994	2.5	0.2	3.1	−1.3	76.3
April	2.4	−0.4	2.7	−1.7	76.4
May	2.3	−0.4	2.6	−2.7	75.8
June	2.5	0.1	2.8	−2.6	75.1
July	2.8	0.6	2.8	−2.9	73.4
August	2.9	1.9	2.7	−3.8	73.7
September	3.0	1.5	2.5	−3.7	72.5
October	2.6	1.0	2.5	−2.2	71.2
November	2.7	1.3	2.6	−3.2	71.6
December	2.7	1.7	2.2	−3.0	72.6
January 1995	2.8	1.6	2.4	−2.9	72.1
February	2.9	1.7			71.0

■ JAPAN

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	100.9	95.3	101.4	103.4	118.4
1987	101.3	92.5	103.1	100.6	122.9
1988	102.4	92.3	107.8	96.2	131.0
1989	105.1	94.2	114.0	96.1	123.5
1990	108.4	95.7	120.1	98.3	108.3
1991	111.9	96.8	124.3	101.8	114.8
1992	114.0	95.9	125.6	111.0	116.3
1993	115.4	94.3	125.8	116.9	134.0
1994	116.2	92.6	128.3	116.4	139.7
1st qtr.1994	1.4	−2.2	2.9	3.7	137.8
2nd qtr.1994	0.6	−2.1	5.0	0.0	139.9
3rd qtr.1994	−0.1	−1.7	−1.9	−1.1	140.8
4th qtr.1994	0.8	−1.1	2.4	−4.1	140.0
March 1994	1.3	−2.2	2.4	2.6	139.4
April	0.8	−2.2	1.9	0.9	141.2
May	0.6	−2.0	1.0	0.0	139.2
June	0.5	−1.9	9.1	−0.9	139.3
July	−0.3	−1.8	−5.2	0.8	142.4
August	−0.2	−1.7	−0.9	−3.3	139.9
September	0.2	−1.5	3.3	−0.8	140.3
October	0.8	−1.2	3.9	−3.2	139.8
November	1.1	−1.2	3.7	−5.0	140.8
December	0.5	−0.9	1.4	−4.1	139.2
January 1995	0.5	−0.9	3.8		138.2
February					139.5

■ GERMANY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	103.6	103.8	107.4
1987	100.1	95.0	107.9	107.1	110.9
1988	101.4	95.2	112.6	106.9	110.0
1989	104.2	98.3	117.1	108.0	107.8
1990	107.0	101.0	123.5	110.3	110.7
1991	110.7	103.4	131.3	115.0	106.2
1992	115.1	104.9	138.2	121.5	106.7
1993	119.8	104.8	145.6	125.9	110.2
1994	123.5	105.5		118.1	108.7
1st qtr.1994	3.3	0.2	n.a.	−2.6	107.2
2nd qtr.1994	3.0	0.3	n.a.	−6.7	107.8
3rd qtr.1994	3.0	0.6	n.a.	−7.4	109.7
4th qtr.1994	2.8	1.3	n.a.	−7.9	110.2
March 1994	3.2	0.3	-	−2.6	107.5
April	3.1	0.1	2.9	−6.5	107.0
May	3.0	0.4	-	−6.1	107.8
June	3.0	0.4	-	−7.6	108.3
July	2.9	0.4		−10.6	109.7
August	3.0	0.7		−5.3	109.9
September	3.0	0.7		−6.0	109.6
October	2.8	1.0		−7.2	110.1
November	2.7	1.4		−10.0	110.3
December	2.8	1.6		−6.4	110.3
January 1995	2.3	1.7			112.1
February	2.4	1.8			113.1

■ FRANCE

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	102.5	97.2	104.5	101.6	103.4
1987	105.9	97.6	107.8	103.0	104.8
1988	108.8	102.8	111.1	104.1	102.2
1989	112.6	108.4	115.4	105.2	99.8
1990	116.5	107.1	120.6	109.6	103.6
1991	120.2	105.8	125.8	113.4	102.3
1992	123.1	104.0	130.3	115.6	105.8
1993	125.6	101.1	133.7	118.1	108.5
1994	127.7	102.5	136.7		108.0
1st qtr.1994	1.7	−1.5	n.a.	0.0	107.5
2nd qtr.1994	1.7	−0.1	n.a.	0.0	107.4
3rd qtr.1994	1.6	2.0	n.a.		108.6
4th qtr.1994	1.6	5.3	n.a.		108.3
March 1994	1.5	n.a.	2.1	n.a.	108.0
April	1.7	n.a.	-	n.a.	106.6
May	1.7	n.a.	-	n.a.	107.4
June	1.8	n.a.	2.4	n.a.	108.1
July	1.7	n.a.	-	n.a.	108.4
August	1.7	n.a.	-	n.a.	108.7
September	1.6	n.a.	2.4	n.a.	108.9
October	1.7	n.a.	-	n.a.	109.0
November	1.6	n.a.	-	n.a.	108.3
December	1.6	n.a.	2.1	n.a.	107.7
January 1995	1.7	n.a.	-	n.a.	107.2
February	1.7	n.a.	-	n.a.	107.0

■ ITALY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.7	101.3
1987	111.0	103.2	111.6	105.5	102.0
1988	116.5	106.8	118.4	109.7	100.2
1989	124.2	113.1	125.6	112.3	103.6
1990	131.6	117.8	134.7	118.6	106.2
1991	140.3	121.7	147.9	131.2	105.5
1992	147.7	124.0	155.9	136.6	101.9
1993	153.9	128.7	161.3	139.3	87.3
1994	160.0	133.5	167.0		85.5
1st qtr.1994	4.2	3.5	4.3		85.2
2nd qtr.1994	4.0	3.1	4.1		87.4
3rd qtr.1994	3.7	3.5	3.0		85.4
4th qtr.1994	3.8	4.6	2.9		83.9
March 1994	4.2	3.2	4.5	n.a.	84.9
April	4.1	3.0	4.6	n.a.	87.5
May	4.0	3.2	4.6	n.a.	87.8
June	3.7	3.0	3.0	n.a.	86.7
July	3.6	3.2	3.1	n.a.	86.1
August	3.7	3.5	3.2	n.a.	85.0
September	3.9	3.8	2.9	n.a.	85.0
October	3.8	4.3	2.8	n.a.	84.6
November	3.7	4.8	3.0	n.a.	83.9
December	4.1	5.4	3.0	n.a.	83.0
January 1995	3.9	5.6		n.a.	82.5
February	4.3				81.0

■ UNITED KINGDOM

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	103.4	101.4	107.7	104.1	94.2
1987	107.7	104.9	116.3	106.6	94.6
1988	113.0	108.7	126.2	109.5	102.3
1989	121.8	113.9	137.2	114.4	101.3
1990	133.3	121.0	150.1	122.7	102.8
1991	141.2	127.5	162.4	131.3	106.6
1992	146.4	131.5	173.1	133.9	103.5
1993	148.7	136.7	180.9	134.7	95.7
1994	152.4	140.1	189.4	134.6	97.0
1st qtr.1994	2.4	3.3	4.8	1.9	98.6
2nd qtr.1994	2.6	2.2	4.4	−0.2	97.0
3rd qtr.1994	2.3	2.1	4.4	−1.5	95.9
4th qtr.1994	2.6	2.5	5.2	−0.7	96.7
March 1994	2.3	2.8	5.3	2.4	97.5
April	2.6	2.2	4.7	0.8	97.1
May	2.5	2.1	4.3	0.6	96.9
June	2.6	2.1	4.3	−1.6	97.1
July	2.3	1.9	4.2	−1.5	96.0
August	2.4	2.2	4.5	−1.4	95.8
September	2.2	2.3	4.6	−1.6	95.9
October	2.4	2.3	4.9	−2.1	96.6
November	2.6	2.6	4.9	−0.7	96.8
December	2.9	2.8	5.8	0.7	98.4
January 1995	3.3	3.5	4.6	1.6	98.4
February	3.4	3.6			95.2

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

NEWS: UK

British unions attack government's support for 'cowboy's charter'

Deadlock in EU labour plan

By Caroline Southey in Brussels and Kevin Brown and Lisa Wood in London

Britain's trade unions yesterday accused the government of supporting a "cowboys' charter for Europe's worst bosses" after Mr Michael Portillo, employment secretary, helped to block European Union agreement on common rules for companies employing workers from other member states.

The proposals, which collapsed amid deadlock after more than five hours discussion by employment ministers in Brussels, would have required EU companies to apply host country wages and conditions when employing workers from another EU country.

The collapse of the plan is a setback for the European Commission, which has campaigned for common employment standards for posted workers since 1991. Mr Michel Giraud, the French employment minister, said the council would address the issue again at the next meeting due at the end of June.

Mr John Monks, secretary general of the Trade Union Congress, said he was disappointed. "Mr Portillo is supporting a cowboys' charter for Europe's worst bosses. British interests would be best served by supporting this directive and providing decent minimum employment standards," he said.

However, the deadlock was welcomed by UK employers. "The lack of consensus among the ministers underlines the fact that the proposal has little merit and should be shelved," said Mr Howard Davies, director general of the CBI.

Mr Portillo said the UK had opposed the directive because "we believe in the free movement of goods, services, capital and people."

The most divisive issue was whether local employment terms should apply from day one of a worker's posting, known as the zero option, or whether companies should be allowed a "grace period". France, which holds the EU presidency, had proposed a short optional grace period in a bid to break the deadlock.

Member states were divided between net exporters of labour such as Italy, Spain, Portugal and Ireland which wanted a "grace period", and France, Belgium, Luxembourg and the Netherlands where national laws stipulate local conditions must apply from day one. Germany, Sweden, Austria, and Finland were also in favour of immediate application.

Britain's cities 'lagging Europe'

By Stewart Dalby

British cities are 20 years behind parts of Europe in making cities more environmentally friendly and better places to live, according to Transport 2000, an environmental pressure groups.

By diverting funds currently spent on road building to cycle paths, park and ride schemes and improving rail and metro schemes, the quality of life in British cities could be radically improved, a survey in Transport 2000's magazine Transport Retort claimed yesterday.

Ms Lynn Sloman, assistant director of Transport 2000, said yesterday: "British cities are polluted, noisy, dangerous and car dominated; yet they could be thriving, people friendly places.

Cities like Groningen, the Netherlands, have been investing in facilities for cyclists and improving public transport. The same thing has happened right across Europe – in Switzerland, Denmark, Germany."

Ms Sloman says in Munich, for example the establishment of safe cycle routes has increased cycling from 7 per cent of all journeys to 15 per cent.

She adds that in Zurich car commuting has fallen by 6 per cent while public transport has risen by 9 per cent.

Transport 2000 estimates that if £200m a year were spent in British cities over the next decade on building safe cycle paths the number of cycle journeys could rise to over 10 per cent with a commensurate decline in car journeys.

At the moment only 3 per cent of all journeys in British cities are by bicycle. Park and ride schemes and metro systems can also cut congestion. The Manchester rail metro has cut car journeys by 10 per cent since it started two years ago.

The CBI has estimated that the costs of congestion to industry in British cities amounts to £15bn a year.

Ms Sloman concedes that local authorities are increasingly strapped for cash for environmental purposes and says that funding should come from central government.

She says: "Some £3bn is spent by the government and local authorities on road building each year. Some of this should be diverted to improving cities."

Meanwhile, Mr Howard Davies, director-general of the Confederation of British Industry, has said holidaymakers must be persuaded not to vote with their feet and not spend money abroad rather than in Britain.

A liquid story of the prince and the product

Michael Cassell on how charity is set to benefit from a royal endorsement

Britain's Prince of Wales is not in the habit of endorsing commercial products. But he has given a royal nod to a new range of non-alcoholic drinks launched today in the UK.

His support is not surprising, given that the company behind the drinks would not have been set up without him and that all the profits it confidently expects to make will go to charity.

The company, Duchy Originals, is run independently of the Duchy of Cornwall, the estate created 650 years ago to provide an income for the heir to the throne. It was established in 1990 to develop high quality, agriculturally based products.

The aim of the prince and his enterprise is to demonstrate to farmers the potential for marketing their own produce, for raising profits by adding value to their raw materials and for developing closer relationships with their customers.

The company's plans are modest but it expects to expand in the next few years. The prince recently told Duchy of Cornwall workers of his ambitions for the company: "Like every new venture, this one has small beginnings. But if we concentrate on quality in every sphere of the operation I am sure the project will grow substantially over the years."

In 1992 the company's first product emerged in the shape of a biscuit made from organic oats bought from the prince's farm near his Highgrove home. A second type of biscuit was launched the following year and more are expected to follow. Overseas markets now account for about a third of the £1m ($1.59m) annual sales.

According to Mr Michael Cornish, a former Volkswagen marketing man who is managing director of Duchy Originals: "We do not envisage becoming a Unilever or a Northern Foods but it would be very nice if in five years time we could be delivering £1m a year to charity and also generating some new jobs.

"We have been delighted with sales but you cannot build a company on two biscuits or create the type of long-term annuity stream which we want to pass on to charities."

He added: "There are no artificial restraints being placed on the company. It is a stand-alone business with the right to grow and to continue to develop and deliver at home and abroad quality products which are agriculturally based."

Now, after two years of research and development by IDV, the drinks division of Grand Metropolitan, the company has signed an agreement with Coca Cola & Schweppes Beverages for the production and distribution of two sparkling, herb and fruit drinks billed as "a sophisticated alternative to alcohol". The ingredients are provided by selected English growers, including royal estate and Duchy of Cornwall farms.

Sales of Duchy No 1 and No 3, to be marketed as elegantly packaged, premium-priced, environmentally sound products, are projected at £2.25m this year. An initial 100,000 cases annually will have minimal impact in a UK market sector worth £600m a year, but plans are in hand to tackle export markets. Duchy Original biscuits are already on sale around the world.

The drinks launch is seen as a significant step up for the company, which Mr Cornish says is running a year ahead of its original business plan. It is expected to break even next year before moving into profit.

The small group of private investors – which included the prince – who shared his philosophy and helped fund the Duchy Originals start-up can then look forward to being repaid while charities can expect to start to benefit from donations made via the Prince of Wales's Charities Trust.

The prince remains closely involved with the development of products and packaging and has the ultimate say on what is acceptable. He is also lending a hand in other ways. A keen watercolour artist, one of his landscape paintings is being used in the marketing campaign to enlist stockists for a drinks product dubbed "the natural choice". More than 50 UK stockists will start selling the drinks from today.

Mr Cornish said: "There are not many brands on the market with 650 years of history behind them." But he added: "You still have to get the product right."

London 'delaying Ulster peace' claims Sinn Féin

By Kevin Brown in London and John Murray Brown in Dublin

As British prime minister John Major prepares for his visit to the US this coming weekend, Sinn Féin, the political arm of the IRA, has accused the UK government of delaying the Northern Ireland peace process amid growing confusion about the timetable for direct talks with ministers.

On the eve of a meeting today with Mr John Bruton, Irish prime minister, Mr Gerry Adams, Sinn Féin president, said the government was "bogging down the peace process" by insisting on progress towards decommissioning of terrorist arms.

In another significant intervention, Mr Martin McGuinness, a senior Sinn Féin strategist, said he hoped the party would meet a British minister for talks before the end of the week. "We have made it quite clear that we are prepared to discuss the decommissioning of all weapons and the demilitarisation of the situation," he said.

The Northern Ireland office said it was still awaiting Sinn Féin's reply to a letter sent on Friday detailing the conditions for ministerial talks. The government is seeking assurances that Sinn Féin will engage in "serious and constructive" discussions, including an exploration of the practicalities of decommissioning, before agreeing that ministers will become involved.

The timing may also be affected by diplomatic calculations surrounding Mr John Major's visit to Washington on Sunday. If Sinn Féin gives the necessary assurances on arms, ministers would like to begin talks before Mr Major leaves for Washington.

Such a timetable would avoid the potentially embarrassing charge from Unionists that talks beginning after the trip had been influenced by US pressure. It would also help to prevent undue concentration on the issue during the trip.

But Mr Major is unlikely to give the go-ahead for talks before clearing the ground with senior cabinet colleagues, which could take a few days.

Mr Adams said he would be seeking Mr Bruton's support to "move the British to end their totally undemocratic ban" on ministerial contact with Sinn Féin.

Signs are emerging, however, that Irish patience with Sinn Féin is fading. There is a growing feeling in Dublin that the republican leadership should match London's efforts to show goodwill by pulling out troops and ending routine army patrols in most areas.

Police 'trauma' case under scrutiny

By Simon Kuper and Ralph Atkins

The case of four police officers claiming compensation for the trauma suffered after the 1989 disaster at the Hillsborough football stadium was yesterday being watched closely for repercussions on other British public sector employees and the insurance industry.

The police officers are claiming compensation from the chief constable of South Yorkshire police, Sheffield Wednesday football club, and the club's engineers. Each officer is reportedly seeking up to £250,000 ($397,500).

The High Court's decision on their claims will determine 19 other outstanding cases. If the four win compensation, it may lead to further claims from members of the emergency services and the armed forces, who allegedly suffered post-traumatic stress disorder.

Britain's Ministry of Defence has received 28 writs from servicemen who claim the ministry ignored the post-traumatic stress disorder they allegedly contracted while in the forces. "We haven't paid any claims out yet," the MoD said.

But while the case could have considerable ramifications for the individuals involved – and hefty bills for some public sector bodies – it is not clear if the Hillsborough case could open flood-gates across all workplaces.

The policemen's claims centre on when damages are payable for post-traumatic stress disorder after large-scale catastrophes. Their case, according to Mr Ian Walker of law firm Russell Jones & Walker, is that the parameters have been drawn too tightly and that the policemen were exposed to "wholly unreasonable sights, sounds and experiences that were far beyond what would normally be regarded as part of their everyday activities".

But the future level of claims for post-traumatic stress disorder is likely to be determined as much by the incidence of horrific disasters as by the latest court case.

More worrying for the insurance industry would be if the Hillsborough case led to a heightening of awareness among employees that damages can be claimed for stress-related injuries generally – not just for post-traumatic stress disorder. Such a trend might have been encouraged by a case in Northumberland last November when a social worker successfully sued his employers for negligence after claiming his workload damaged his health.

So far, stress related claims hardly figure on insurers list of concerns. Asbestosis, repetitive strain injury and the rising level of legal damages awards generally are blamed far more for recent rises in the cost of employers' liability and other liability insurance policies.

That may change. Claims for workplace stress-related claims are likely to depend on establishing that employers ignored warning signs about employees' conditions. But Mr David Rogers, head of the personal injury department at lawyers Davies Arnold Cooper, said: "Unless employers take steps in the next few years then, yes, these claims will start to rise."

The threat of rising claims need not necessarily mean higher insurance premiums – at least for responsible employers. As Mr David Thomas, liability insurance expert at Willis Corroon, the insurance broker, said: "We will start to see insurers discriminate more efficiently between companies with good health and safety practices and those with less good practices."

Technology Foresight findings urge research funding for scientific strategies against fraud

Futuristic vision in a mission against crime

By Vanessa Houlder and Clive Cookson

Robots taking tiny samples of blood, skin or saliva and performing an instant genetic analysis could be part of a high-tech assault on financial fraud within the next 15 years.

This futuristic vision could be one of a battery of devices – including a range of new physical and biological techniques to confirm the identity of staff and customers – used by banks and insurance companies to detect fraudulent transactions which currently can cost millions of pounds.

It was set out yesterday alongside a call for a research programme, funded jointly by the government and industry, to develop new scientific approaches to detecting fraud when the government unveiled the first findings of the Technology Foresight Programme designed to shape the UK's research priorities.

In addition to genetic testing, pattern recognition computers would check faces, voices and palm prints to combat crime. Computers with artificial intelligence programs would be used routinely to help detect fraud.

The financial services panel, one of 15 industry groups in the Foresight project, highlighted the need for new techniques to prevent "progressively more invasive and sophisticated approaches" to fraud.

The panel's report predicts "radical change" from the introduction of new technologies in finance. It urges action to improve IT skills; establish a minimum professional standard in finance; clarify the future regulatory framework for UK telecommunications; and launch a broad-based research programme on all aspects of financial engineering, from the design of financial instruments to the psychology of risk taking.

Based on surveys of opinion throughout the industry and more than 200 interviews with industrialists and academics, the report noted that the retail sector of the financial services industry would experience particularly rapid technological change. It forecast greater use of smart cards, artificial intelligence and the delivery of consumer services to the home using interactive multimedia.

Sir William Stewart, the government's chief scientist, who chairs the programme's steering group, said: "For too long we have had a *laissez faire* attitude to R&D in the UK and our competitors are going the other way."

Sir William said that at the end of May the steering group would pull together the 15 panels' findings into a report on "how the UK can best take advantage of market and technology opportunities to promote wealth creation and enhance the quality of life".

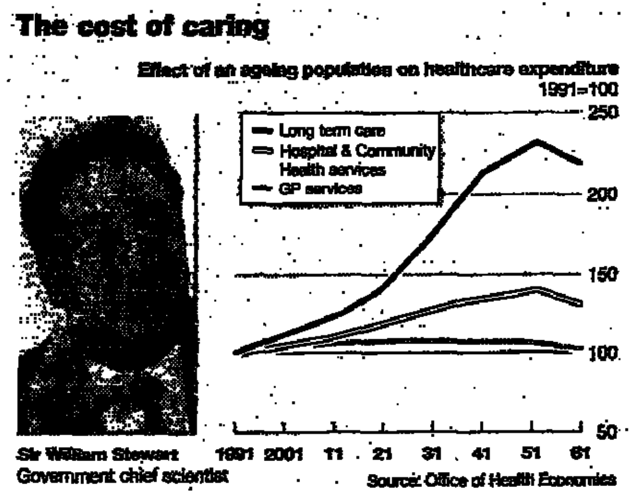
The five reports released yesterday contain a mixture of visions of the future, proposals for specific projects and more general recommendations about priorities. The health panel said the highest research priority was to reduce the burden of an ageing population on the National Health Service.

Mr Michael Hughes, a director of BZW, the financial services group, who chaired the financial services panel, said the pace of technological change was likely to be faster than many in the industry expected.

The rapid adoption of new technology could lead to export opportunities to the rest of Europe, which lagged behind the UK in the adoption of this technology, he said.

More than 80 per cent of the panel's respondents believed that goods, services and information could be delivered using telecommunications to every home and business in the UK in the next 10 years. The UK was "at the leading edge of scientific and innovative capability in this field", although there were concerns about the social acceptability of multimedia.

The cost of caring



Sir William Stewart
Government chief scientist

Source: Office of Health Economics

Travellers in 2010 will not need to queue at the rail or bus station but will be able to plan journeys and book tickets with a pocket-sized "personal digital assistant", Charles Batchelor writes.

This vision of the future is presented in the report of the transport panel of the UK Technology Foresight Programme, published yesterday.

The programme's suggestions follow controversy over plans to reduce the number of British Rail stations from which a full range of tickets will be sold after privatisation. At least two private sector organisations have since unveiled plans for a computerised network of ticket sales points at retail outlets.

The Foresight project – "the informed traveller" – proposes the development of integrated systems providing travel information, ticketing, booking and payment facilities for buses, trains and aircraft.

They would be continually updated with information on timetable changes, congestion and other transport delays.

The transport panel said this would make public transport more convenient and encourage people to leave their cars at home. But before such systems could operate planners would have to persuade competing private sector operators to share information and access to ticketing and payment services.

Issues to be resolved include: open standards for exchanging information, designing automatic vehicle location equipment, refining smart cards and electronic "purses" and improving information terminals and displays. The Foresight panel urged the Department of Transport to devise regulations which would oblige operators to provide information services to agreed standards – and to provide funds to offset the costs of these new systems.

UK NEWS DIGEST

Lloyd's shelves guide to new reinsurance arm

Lloyd's of London yesterday shelved a planned "project guide" to Equitas, a reinsurance company intended to take over massive outstanding liabilities on old insurance policies, particularly from US asbestosis and pollution claims.

The reason given was the lack of information available at this stage which was relevant to Names – individuals whose assets have traditionally supported the insurance market and who are likely to have to pay to have their "old year" liabilities transferred into Equitas.

Officials said more data on Equitas premiums would be available in late September and the project was still on target to take over from the end of December liabilities from 1985 and previous years.

But Lloyd's insiders suggested the delay was because the Equitas project is overlapping increasingly with other attempts at solving the insurance market's problems – in particular litigation from lossmaking Names.

Mr Peter Middleton, Lloyd's chief executive, is negotiating an out-of-court settlement with more than 40 action groups representing litigating Names. If successful, Equitas would provide a method of "capping" Names' liabilities at the insurance market – which is a high priority of many action groups.

A cap would enable Names to pay a final cheque to Lloyd's and resign without the fear of future bills from old-year policies. But publication of an Equitas project guide at this stage might have constrained Mr Middleton's negotiating hand. *Ralph Atkins, Insurance Correspondent*

No action over jailbreak

Mr Michael Howard, the home secretary, yesterday said that no disciplinary action would be taken against any member of the prison service following last year's escape by five terrorists and an armed robber from Whitemoor prison in Cambridgeshire.

Mr Howard announced that Sir David Yardley, the former local government ombudsman, had completed his disciplinary investigation into the escape from Whitemoor, but recommended that no charges should be initiated against any individual.

In a parliamentary written answer, the home secretary said the report had identified "serious performance shortcomings on the part of a number of individuals in respect of whom appropriate management action will be taken."

Mr Howard said this would happen once the individuals involved had received the opportunity to make representations over the escape from the prison last September.

All six escapees were quickly recaptured in the wake of the break-out from Whitemoor. But during a subsequent search of the jail, guns, ammunition and Semtex explosives were discovered, sparking calls for Mr Howard's resignation. *James Blitz*

Engineering investment grows

Investment in the UK engineering sector grew by almost 20 per cent last year, revised official figures yesterday showed.

The data seem likely to ease fears in the City that strong demand might be creating capacity pressures in British industry. But with the revised data now suggesting that investment is growing faster than previously thought, the figures have also raised questions about the degree of "missing" investment that might now be unrecorded in the economy.

Taken overall, manufacturing investment was almost 2.5 per cent higher in 1994 than in 1993, after growing steadily throughout the year, the Central Statistical Office yesterday said. This was higher than the earlier official estimates, which had suggested that capital expenditure was barely 1 per cent higher in 1994 than 1993, after falling back last summer.

The weakness of the original figures stirred concern in the City last year that capacity constraints could emerge in British industry. But although some economists still believe that the investment picture is worryingly weak, others argue that the recovery is healthier than it appears to be because part of the investment activity has simply been missed in recent months. *Gillian Tett, Economics Staff*

Oil applications received

Applications have been received from oil companies for half of the blocks offered in the UK's 16th round of offshore licensing. Strongest interest was shown in areas west of Shetlands where new discoveries have recently been made.

Up to eight applications have been made for a single block, according to Mr Richard Page, the junior energy minister. He said there had also been an encouraging response on the fringes of established areas in the southern basin and the central North Sea.

Draft licences for public gas transporters and shippers were published by the government yesterday, marking further steps towards the liberalisation of the UK gas market.

The licences include requirements to establish standards of performance and arrangements for emergencies. Last week, the government published draft licences for gas suppliers.

Full liberalisation of the gas market is scheduled for 1998. *David Lascelles, Resources Editor*

Compulsory seat belt plan

Plans for compulsory seat belts on all new coaches and buses were announced by Mr Neil Kinnock, European transport commissioner, yesterday.

Mr Kinnock's first proposal for legislation since taking office goes further than the government's announcement earlier this month that seat belts should be fitted in new and existing coaches and minibuses intended to carrying children.

Speaking in Glasgow, Mr Kinnock called for all coaches above 3.5 tonnes to have aeroplane-style lap-belts on all seats. Minibuses would have to have three-point belts fitted on all forward-facing seats.

Concern about the safety of people travelling in coaches and minibuses has been heightened by recent crashes. Ten people, many of them US tourists, were killed and seven seriously injured in a coach accident on the M2 in November 1993 and 12 children were killed and another two seriously injured in a minibus accident on the M40 last year.

Mr Kinnock said he hoped European Union-wide legislation would be in force by 1996. *Charles Batchelor*

TV executive in media appeal

A senior executive of Granada Television yesterday appealed to the British government not to accept a rapid deregulation of media ownership.

Mr Charles Allen, chief executive of Granada's television division, appealed to the government to "let the rope of regulation out gradually, bit by bit, rather than let it go all at once overnight".

The Granada argument runs counter to the lobbying of many organisations in the media industry, such as Carlton Communications, which have been arguing that the media should be treated like any other business in terms of competition law.

Mr Allen said: "There may come a time when a competition law approach would be right. But we have not reached that point yet. The media is not just another business.

"There are important considerations of political power which do not apply in other industries and cannot be overlooked."

The Granada executive also criticised the approach of a number of newspaper groups, including Pearson, owner of the Financial Times, and Associated Newspapers, which have said that the media should be treated as one market. Mr Allen urged that newspaper owners be allowed to increase their stakes in broadcasters from 20 per cent to 29.9 per cent and that one ITV company be allowed to own licences covering up to 25 per cent of total advertising revenue. *Raymond Snoddy*

TECHNOLOGY

Radiation kills - and cures. Daniel Green and Clive Cookson continue a series on cancer research by looking at radiotherapy and the use of antibodies as magic bullets

IN THIS SERIES:

NOVEMBER 29
Introduction.
The growing toll of cancer worldwide. Why the disease is responding better to treatment in the young. The worldwide market for cancer drugs. Who is spending what on research.

DECEMBER 13
Causes and prevention. Smoking. Diet and food supplements. Sunshine and skin cancer. Chemicals and other environmental causes. Vaccines against cancer-causing viruses. Antibiotics to prevent stomach cancer.

JANUARY 24
Diagnosis and screening. Genetic susceptibility. Scans. Identifying cancer markers in the blood. Politics and economics of screening.

FEBRUARY 28
Chemotherapy.
Drugs to kill rapidly dividing cancer cells. Reducing multi-drug resistance. Anti-nausea drugs and other ways of reducing side effects. Hormone-based treatments. Herbal and alternative remedies.

APRIL
Genetic treatment and other biotech approaches. Gene therapy and anti-sense. Cell migration and adhesion. Apoptosis and cell suicide. Immunostimulants. Cell growth factors. Interferons and interleukins.

A mix of medicine and physics

Radiation can be both a curse and a cure – and the most important area in which it saves lives is cancer treatment. Radiotherapy, where high energy physics meets medicine, is effective enough to be used for about half of all patients diagnosed with cancer.

Control is everything. By focusing and directing a radiation beam, and giving carefully measured doses over a period of time, tumours can be destroyed or suppressed.

The beam – which can consist of either X-rays, gamma rays, electrons or other ionising radiation – kills cells so well that it is effectively surgery without a scalpel.

Radiotherapy can cure some cancers completely, such as those in the larynx. Or it can make subsequent surgery less drastic.

The procedure may not have such severe side effects as those caused by powerful drugs circulating the body. But it causes some problems including nausea, risk of infection and skin damage.

Also radiotherapy works well only with localised tumours, especially those in the head and neck. Sometimes it is limited to a palliative role, reducing the pain of more advanced cancers that will eventually kill the patient.

Progress in radiotherapy research tends to be incremental rather than revolutionary, unlike that in chemotherapy where there is always the chance of a breakthrough drug.

The equipment used to generate radiation is improving steadily. Particle accelerators produce high-energy X-rays or electron beams at the flick of a switch in hospital radiotherapy units. They give a more controllable beam than the radioactive isotopes such as cobalt-60, which became popular as gamma ray sources in the 1950s, and they avoid the dangers of leaks and waste.

Accelerator makers such as Varian of California and Philips of the Netherlands now add devices to shape the radiation beam. The idea is that medical imaging scanners can picture the irregular outline of a tumour and the beam can then be shaped to limit the damage to healthy cells.

There are many other radiation sources for radiotherapy besides these conventional hospital machines. At one extreme are vast nuclear reactors and particle accelerators, built for physics research; their beams are occasionally used to treat cancer. For example, medical researchers will have access to the £300m European Synchrotron Radiation Facility opened last year in Grenoble, France – the world's biggest and brightest X-ray source.

Instead of an external source, radiotherapy can also be delivered by putting an appropriate radio-isotope inside the patient. A new example is Metastron, a treatment for metastatic bone cancer developed by Amersham, the UK health science company. Metastron is an injection of strontium-89 chloride; the strontium is absorbed into the bones which it irradiates selectively with beta particles (high-speed electrons).

An experimental treatment that combines external and internal approaches is Boron Neutron Capture Therapy. The patient receives the chemical element boron, which concentrates in the tumour. The patient is then exposed to a neutron beam, which converts the boron into a radioactive isotope and delivers a lethal alpha particle (helium nucleus) to the tumour. BNCT is under investigation for brain cancer in the US, Europe and Japan.

While hardware technology has progressed quickly, oncologists remain unsure about the best ways to use the new tools. Radiotherapy is the most important treatment to reduce the pain of bone cancer, says Colin Poulter, a professor at the University of Rochester Cancer Centre in New York, but "there is remarkably little agreement as to the time, volume and dose schedules."

Alan Horwich of the Royal Marsden Hospital in London notes that procedures differ even within the UK. "A standard course in the London area would be about 30 small doses of radiation, while in Manchester and the north of England the treatment would be 15 larger doses," he says. "These differences have arisen historically rather than as the result of large-scale trials."

Researchers are still trying to understand the central group of mysteries in radiotherapy: why do patients with the same cancers vary in their response, why do different cancers respond differently, and how can tumours can be made more sensitive to the treatment?

"In our research we are asking whether some patients are intrinsically more sensitive and whether this is an inherited characteristic," says Horwich. "We are also trying to develop predictive models for long-term radiation damage."

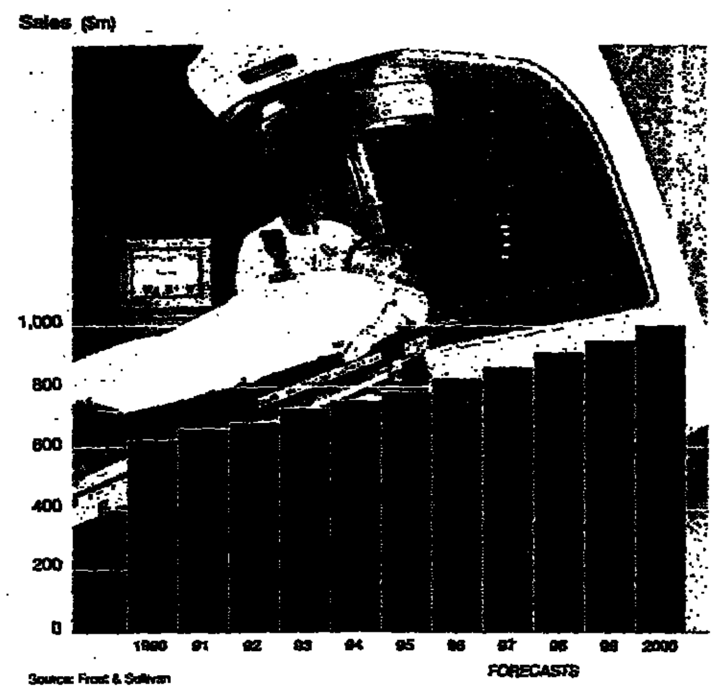
One promising area is in making cancer cells more sensitive to radiation. Some agents, such as oxygen, are known to make cells more vulnerable. But tumours often have poor blood supplies, lack oxygen and therefore resist radiotherapy. Several sensitising drugs are under development but work is still at an early stage.

So in spite of high-technology machinery, and with drug research at an early stage, the growing effectiveness of radiotherapy appears to be in the hands of medical researchers rather than physicists and pharmacologists.

Medicine is less predictable than physics, and doctors have yet to learn how to make the most of their gleaming hardware.

DG & CC

World radiotherapy equipment market



Source: Frost & Sullivan

Priming the magic bullet

Antibody treatments have yet to prove their potential

Cancer researchers have long dreamed of creating a "magic bullet" – a drug to seek out and destroy cancer cells without harming healthy tissues.

For the past 20 years scientists have hoped that the immune system would provide the bullets, in the form of monoclonal antibodies. These Mabs are cloned versions of the antibodies that the body uses to defend itself against invading germs and other foreign substances.

Scientists at the MRC Laboratory of Molecular Biology in Cambridge discovered in 1975 how to make billions of identical copies (clones) of an antibody directed at a particular target such as a cancer cell. Expectations soon raced ahead of the scientific facts, and in the early 1980s Mabs were the most over-hyped of all potential "cancer cures".

In fact, Mabs have given generally disappointing clinical results when tested against cancer and other diseases. Yet the approach retains a powerful hold over the biotechnology industry; a recent assessment of emerging cancer therapies by Decision Resources, a Massachusetts consultancy, lists no fewer than 77 different Mab-based cancer treatments in development around the world.

Decision Resources says few Mab-based cancer drugs will reach the market in the near future; their total worldwide sales will be only $85m in 1998 and $300m in 2003. Five years ago, some forecasters were predicting a $2bn market by 2000.

Many people in the industry believe, however, that Mabs will emerge as an important cancer treatment over the next decade. (Mabs are already used as a diagnostic tool for imaging tumours – as magic "paints" rather than bullets.) They point to recent progress in overcoming several obstacles to the development of antibody technology:

- Mabs were originally derived from mice. When injected into humans, these mouse antibodies provoked an immune response that destroyed them before they could reach their target. Scientists have not yet been able to create human Mabs from scratch for cancer research, because people cannot be used as experimental animals, but they have used genetic engineering to "humanise" the mouse Mabs so as to produce fewer adverse reactions.
- The targets recognised by Mabs – "marker" proteins on the surface of cancer cells – did not distinguish them as clearly as researchers had hoped. As a result, too many of the bullets hit healthy cells instead. Scientists are now finding more distinctive tumour markers, including products of cancer genes and growth factor receptors.
- The bullets are being made more lethal. Some Mabs deliver a toxin or a radioactive isotope to the cancer cells, destroying them either by poisoning or radiation. Others work by activating killer cells in the patient's own immune system. Researchers are working to increase the effectiveness of these different killing mechanisms, while protecting healthy "innocent bystander" cells.

Because simple Mab-based drugs, using antibodies on their own or linked directly to killer payloads, have given disappointing results, more sophisticated multi-stage approaches are being developed.

One example is the "pre-targeting" technology adopted by NeoRx, a Seattle biotechnology company, to deliver a radioactive isotope (yttrium-90) to tumours. The patient is injected first with the Mab linked to a non-toxic protein called streptavidin. Then a clearing agent is injected to remove surplus Mab-streptavidin complex from the body.

Finally, the patient is given a compound of yttrium-90 with another protein, biotin, which binds very strongly to streptavidin. The yttrium-90 is delivered more quickly and efficiently to the cancer cells than when it is linked directly to the Mab, and harmful radiation exposure elsewhere in the body is reduced.

As an alternative to Mabs, Seragen, a Massachusetts biotech company, is pioneering the development of "fusion toxins". These use a hormone instead of an antibody to bind to the outside of the cancer cell. Attached to the other end of the hormone is part of the toxin made by diphtheria bacteria. When the hormone attaches to the cell surface, the toxin enters and kills the cell.

Seragen says this approach has several advantages over using antibodies. There is less risk of an unwanted immune response, and the system is so specific and so toxic that treatment can consist of lower doses. The power of the Seragen approach should be revealed in the next few months with the results of the final phase of clinical trials for two cancers: cutaneous T-cell lymphoma and Hodgkins' lymphoma.

CC & DG

INTERNATIONAL PEOPLE

Telecoms partners choose Kok

■ Bessel Kok, former chief executive of Belgacom, has been appointed chief executive of TelSource, the strategic alliance of PTT Telecom Netherlands and Swiss Telecom which is bidding with AT&T for a 27 per cent stake in SPT Telecom, the Czech phone company.

■ Dr Rolf W Schweizer, vice chairman of Sandoz, takes over as chief executive from 1 May.

■ Bertil Persson, head of treasury operations at the Investor Group since 1991, finance director of Scania AB.

■ John Gilmore, a former chairman of the Chicago Board of Trade, has been appointed chairman of a panel of experts set up by the Singapore International Monetary Exchange to enhance investor confidence in Simex. Other members are: Wayne Angell, former Federal Reserve governor, Wendy Gramm, former chairman of the US Commodity Futures Trading Commission, Michael Jenkins, chairman of the London Commodity Exchange, Leo Melamed, chairman emeritus of Chicago Mercantile Exchange, and Jack Sandner, chairman of the CME.

■ Niki Lauda, the former motor racing champion and founder of Austria's Lauda Air, takes over from Derek Davison as president of the International Air Carrier Association (IACA) on May 1.

■ *Lord Carrington*, the former British foreign secretary, has joined Fiat's international advisory board.

■ Kenneth Matambo, permanent secretary of Botswana's ministry of mines, has replaced *John Stoneham on the De* Beers board.

■ Chris van den Berg has resigned as an executive director of Fortis Amev and is joining Campina Melkunie, a dairy co-operative, as chief executive elect. He will be replaced as chairman of VSB Groep by Henjo Hielkema.

■ David Dilger, 38, chief operating officer of Greencore, the Irish sugar and milling group, takes over as chief executive from Gerry Murphy, who is becoming chief executive of NFC, the UK transportation group.

■ Birgit Breuel, 57, former president of Treuhandanstalt, and Sir Colin Marshall, 61, chairman of British Airways, directors of British Telecommunications.

■ Herbert Mai, president of the OTV trade union, replaces Dr Monika Wulf-Mathies, on Deutsche Lufthansa's supervisory board.

■ James Van Meter has resigned as chief financial officer of Borden, succeeded by William Carter, 41, former Price Waterhouse partner.

■ Ted Highberger, chief operating officer of Coca-Cola Beverages, a Canadian bottler, has been appointed president and chief executive of The Coca-Cola Bottling Company of New York. Shaun Higgins, chief financial officer of Coca-Cola Beverages becomes president and chief operating officer of the Canadian bottling company.

■ Dr Jim Brown, who joined Amersham International in 1992, *managing director* international trading and technology division.

■ Robert W Korthals, former president of The Toronto-Dominion Bank, a director of Rogers Communications and Rogers Cable Systems.

■ Ernst G Breer, deputy chairman of Voko group, management board spokesman of Schaerf AG. Roland Hess, 69, becomes chairman of the supervisory board in July.

■ Hans-Diether Imhoff has been appointed chairman of VEW Energie, VEW's energy division. Fritz Ziegler, chairman of VEW's management board, will chair VEW Energie's supervisory board.

■ Stephen Key is resigning as chief financial officer of ConAgra, replaced by James O'Donnell, treasurer.

■ Dr Jürgen Hambrecht, head of BASF's engineering plastics division, to take over as head of a new Hong Kong-based East Asia division covering BASF's operations in the People's Republic of China, South Korea and Taiwan. Dr Werner Prätorius, head of the polystyrene business unit, takes over as head of engineering plastics.

■ Takehiko Kataoka, who joined Hitachi in 1963, managing director Hitachi Home Electronics (Europe).

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

Ruling on fines and guarantees

EUROPEAN COURT

The president of the European Court of First Instance has given three rulings recently in connection with applications by firms for the suspension of the obligation to provide bank guarantees to the European Commission in place of fines.

The applications arose out of the July 1994 Commission decision imposing fines on 19 members of a carton board cartel.

In two cases involving Buchmann GmbH and Laakmann Karton GmbH, both fined Ecu2.2m, suspension was refused since they could not show it was impossible for them to provide a guarantee. In the third, Cascades SA was partially successful.

Cascades convinced the CFI president that its resources meant it could not provide a guarantee for more than 30 per cent of its Ecu16.2m fine and accrued interest.

The Commission did not dispute that, but claimed the resources of the group to which Cascades belonged should be considered in assessing the truth of its claim. In particular, the Commission said the resources of the parent company, Cascades Inc, should be treated as available to its subsidiary.

The CFI president accepted the Commission's argument and rejected the claim by Cascades that, if the parent's resources were treated as available for the purposes of providing a guarantee, that was tantamount to imposing liability on it for the fine.

However, he granted partial suspension, subject to a number of conditions designed to ensure the balance of interests between the Community public interest in good administration and budgetary control of fines, on one hand, and Cascades' difficulties in providing an immediate guarantee for the full amount, on the other.

Cascades' obligation to provide a bank guarantee to avoid immediate liability for its fine was suspended on the condition that it gave, within three weeks of the order, a guarantee for 30 per cent of the fine (plus interest) and, in six months, a guarantee for the balance of fine and interest.

To ensure to protect the European Union from losing the fine if Cascades went into liquidation before providing a guarantee for the outstanding balance, additional conditions were imposed.

It was required to provide the Commission on a monthly basis with a financial progress report and to indicate if it was likely to go into liquidation. The suspension was also made conditional on Cascades Inc, within three weeks of the order, giving board approval to providing the necessary resources to enable its subsidiary to provide the guarantee for the balance within six months, and itself undertaking to provide that guarantee if its subsidiary went into liquidation during that period.

A fourth case concerned an unsuccessful appeal to the ECJ by Spanish fishing vessel builders against the CFI president's suspension of a Commission decision requiring repayment of Community aid on condition they gave guarantees for the sums to be repaid. The principles applied by the CFI president on bank guarantees, similar to those applied in the Cartonboard competition cases, were confirmed by the ECJ in the aid appeal.

The ECJ president confirmed it was proper for the CFI president to consider resources available from shareholders and the corporate group to which the particular company belonged in determining whether it could provide the bank guarantee in question, rather than simply its own funds. On the facts, the appellants failed to provide evidence, in response to a request from the CFI president, that it could not obtain a guarantee, as they claimed.

The ECJ president said it was neither disproportionate nor contrary to the CFI's rules of procedure to order a guarantee which covered the whole aid although it exceeded the appellants' funds.

T-295/94R, Buchmann, T-302/94R, Laakmann Karton v Commission, CFI president orders, December 21 1994; T-308/94R, Cascades v Commission, CFI president order, February 17 1995; C-12/95P, Tramasa, Makuspesca and Recursos Marinos v Commission, ECJ president order, March 7 1995.

BRICK COURT CHAMBERS, BRUSSELS

ARTS

All notions, jargon and junk

This 'artwork' should certainly be 'dispersed', writes William Packer

Take me (I'm Yours) is easy to mock, but none the less deserving of mockery for that. Its very premise, glossed in terms of breathless excitement, gives the game away. "Visitors . . . will have the unique, and surprising, opportunity to touch, to use, to test, to buy or to take away the objects in this exhibition . . . (The works) function at two levels – as utilitarian objects and as works of art . . . The visitor does not merely look, but has access to the artworks and plays a part in their dispersal."

But what, we ask, is so surprising and unique in opportunities that are the commonplace of any jumble-sale or trade-fair – or even Internet café? As for "utilitarian objects as works of art", have we not come across such claims before, some 75 or 80 years ago in fact, from Marcel Duchamp and his Merry Dada Men?

And the notions, and the jargon: the visitor now has "access to artworks" and plays his part "in their dispersal", as though no-one ever bought anything from an exhibition before. "Artworks" indeed is particularly offensive, an insidiously fashionable jargon by which the notion – gosh, they've got me at it – of the work of art, with all its weight of inference of quality and intention, has been corrupted into a glib catch-all that may now embrace any activity and any thing, from bodily functions to knitting.

"The 'notion of dispersal'" – there we go again – "is 'further enhanced' by other 'creative initiatives' including . . . an Internet installation . . . which will enable the public 'to interact' with the exhibition on the 'World-Wide Web'". In such a way, up to 40 million people globally 'can access' the show.

And with what exactly will those eager "accessed" millions actually "interact"? The Serpentine's central gallery is now full of old clothes, piled in heaps by Christian Boltanski (France) that by the morning after the hectic opening had been reduced to battered ridges, like unmade hedges, across the room. The idea, or notion of interaction, is to buy a plastic bag for £1 and fill it with whatever casts-off take your fancy. And this take-away, this artwork, that at the private view was beset by a giggling and self-conscious scrum, was addressed that next morning by a smaller but infinitely more discriminating crew. These people, in off the street, were stocking up. They were serious.

What else is there? Well, there is the Absolut Access internet playroom. Gilbert & George (UK) have seized the moment to show two huge and multi-panelled photographic full-frontal self-portraits, with a tub of self-celebratory badges thrown in as their qualifying excuse. Douglas Gordon (UK) is running a raffle, with a "blind date dinner" with an artist as the prize; very tempting. Christine Hill (US) is showing a vending machine full of trinket artworks, from maps to Mars Bars, very useful.

Franz West (Austria) has supplied some sofas to sit on, and Jef Geys (Belgium) some fruit to eat. There are some swings to swing on, with strategically spiked seats for those inclined to try them, by Fabrice Hybert (France). Peter Feldman (Germany) has covered a wall or two with small xeroxed images, of which we are free to take our pick. Wolfgang Tillmans (Germany) is simply showing pages torn from magazines in which his mildly titillating photographs are published. Maria Eichhorn (Germany) no less simply has taken over the bookshop. Lawrence Weiner (US) offers some stencils for use directly on the walls. And Carsten Holler (Germany) stocks another playroom with upside-down glasses, stilts and visual tricks and games for perceptual and sensory experiment, along with a video for the curious, of monkeys copulating.

But why go on. This farrago has been "curated", which word suggests at least some coherent purpose, by Hans Obrist, a young man of 27 from Switzerland. What is depressing is not his comparative youth, but that he should have swallowed whole the heresy that Duchamp, the old tease, propagated all those years ago that, to achieve a work of art, it is enough merely to declare it so.

For despite all the "artwork" pretensions of this show, the Gilbert & George photo-pieces apart, questionable as they are, there is not a single work of art in the place. There is nothing sustained, nothing realised, nothing achieved, but only proposals and promises, promises. Only participate, only have a go, and creative enlightenment will be yours.

The sad thing is that these strategies, as the conceptual artworker would put it, do have their uses in making us think of the world, and our experience of it, in a sharper and clearer way. But only as therapy, devices, ploys: always the means, they can never be the end. And we grow out of them. Their place is in the foundation course, if not the play-group – there is a table full of sticks and play-dough in the middle of the gallery.

Take me (I'm yours): Serpentine Gallery, Kensington Gardens W2, until April 30; sponsored by Absolut Vodka in association with The Independent on Sunday.

Accessing Christine Hill's 'Vendible', 1995

Ballet

Swan Lake

I have just seen the first new *Swan Lake* of the year, and it would be a brave soul who supposed that it was the last, such being the lure of this great, and even more greatly misunderstood, piece of lyric theatre. The newcomer is produced by Galina Samsova for the Scottish Ballet she directs.

The fact is significant. Samsova was the lustrous heroine of many stagings, and was involved in the intelligent recension mounted for Birmingham Royal Ballet. So we need fear no radical departures in this present production. The action is direct, traditional, with the addition of a somehow muffed prologue showing Odette falling under von Rothbart's spell.

The dance text owes something to the old but not, alas, sacrosanct Petipa/Ivanov choreography, with additions from Gorsky's Moscow versions, from Bourmeister, and some apt inventions by Samsova. The most effective scene, because cleverly re-worked, is the final lake-side encounter, which generates an intensity, with the roar of tragedy working itself out amid dry ice, tears and the clash of good and evil, which is just what Tchaikovsky demands.

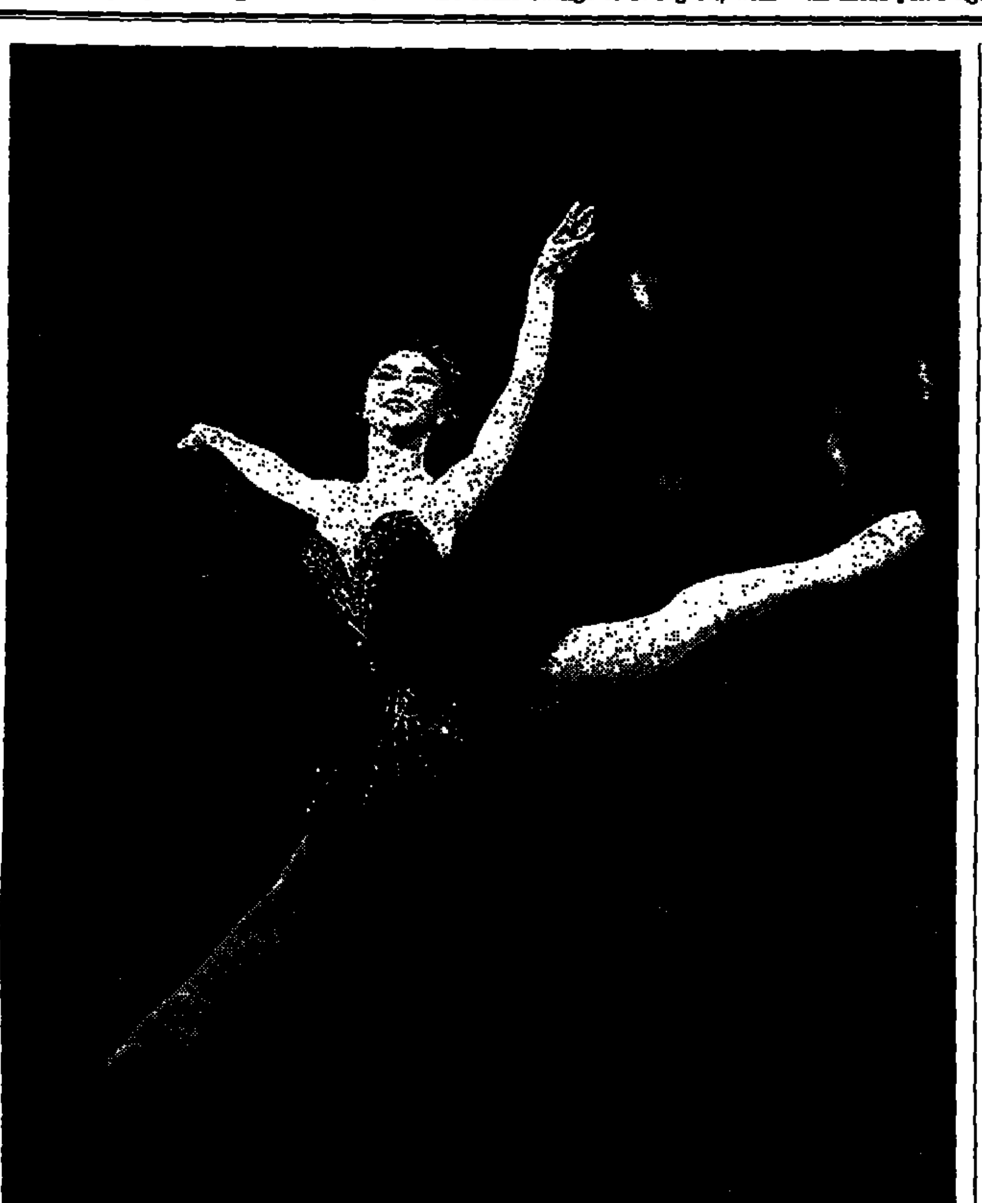
Samsova has produced the ballet with a sure sense of the forces she has at her disposal: a medium-size troupe; no blazing stars; a decent if not effulgent classic style; an enthusiastic cast, albeit one rather short of character-players. (The miming ranges from drag-queen pouting to novocained frigidity). But we see *Swan Lake*, and that is because Samsova knows what it is about and makes sure we are not cheated.

A problem for me came with Jasper Conran's designs. His feeling for costumes can be in no doubt, though I do not think that pallid dress-maker's baroque (which is the historical "look" of the piece) is particularly sympathetic to a theme which is High Gothic romance rather than an Age of Reason drama. There are beautiful tutus. The male dancers are in abbreviated jerkins so cut that when they raise their arms they look like Quasimodo impersonators. There are hats – always a danger in ballet – and national dance costumes that have gone rather too far. The settings are even more vexed. The lake is effective, but the first act is placed in a bosky grot with a distant view of the Royal Dolls' House. The ball-room is a blank and unyielding blue with gold tracery, and might have come from a pretentious hotel.

Yet the cast work hard in them. I saw the production last week at the Edinburgh Festival Theatre, with Yurie Shinohara as Odette/Odile. Here is a reading remarkable in its expressive clarity as in its technical assurance. Miss Shinohara (whom I admired last season as Florine in the Scottish *Beauty*) has the power to take us into her own imaginative world. Her portrayal of Odette is of a victim touched by intense emotion which she shows us through gesture and through delicately effortless dancing. There is nothing predictable, nor routine, and she phrases and places the dance with a lovely sense of its innate drama. A pose is held, a step given extra value, and the dance speaks to us. She is musical, quiet in manner, mistress of her skills, and watching her I believed – as did the audience – in the tragedy. There is no finer accolade. She was partnered by Campbell McKenzie, who makes Siegfried a more cheerful soul, bright in step and manner, than is customary. The score was given a notable reading under Alan Barker – spacious, vivid.

Clement Crisp

On tour until May.



Delicately effortless dancing: Yurie Shinohara as Odile — Bill Cooper

Music in London/**Paul Driver**

'New' music by Messiaen

Something close to a Messiaen world premiere unexpectedly featured in *Towards the Millennium*, the South Bank's cultural exploration of the 1940s, as continued at the Royal Festival Hall last week with concerts on consecutive nights by the BBC Symphony Orchestra under Andrew Davis and the City of Birmingham Symphony Orchestra under Sir Simon Rattle. Messiaen's four-minute *Chant des déportés*, rediscovered in the archives of Radio-France in 1991, was a coup for the former, who neatly slotted it into their advertised all-Messiaen programme between *Cinq Rechants* (1948) for 12 mixed voices and the vast *Turangalîla-symphonie* of 1949.

The *Chant* was knocked off in 1945 when (according to Andrew Clements's programme-note) Messiaen was asked by the radio station's director of music, Henri Barraud, for a short piece to mark the opening of the concentration camps and the return home of French prisoners. Messiaen himself had been imprisoned in Silesia for two of the war years and was altogether in no position to refuse such a request, though by no means predisposed to writing "occasional" music.

The result, a setting for large, high-voice chorus and orchestra of obliquely patriotic verses by Messiaen himself, was conducted by Manuel Rosenthal in Paris that year – the 20-year old Pierre Boulez apparently taking the celesta part – and has not been heard again till now. It is at once highly typical of the composer and most untypical. Typical is the immensely bustling texture, a continuous tutti replete with swirls of decoration including a constant tintinnabulation from keyed glockenspiel and other tuned percussion. Signally unlike Messiaen are the regular, indeed four-square, melodic rhythms, which seem to make of the piece a kind of thwarted national anthem. For all the solemnity of its occasion, the *Chant* has a bizarreness bordering on the surreal; its frantic orchestral busyness and clash of idioms even, unwittingly, recall the ironic excursions of Charles Ives.

This lusty and public choral utterance (BBC Chorus) was all the more of a shock after the super-subtle a cappella manner of *Cinq Rechants*, with its subjective Tristan-ish reveries and use of an invented (verbal) language. The BBC Singers, conducted by Simon Joly, kept one gripped by the score's brazen originality. Another of Messiaen's three Tristan-inspired works, the supremely dithyrambic *Turanglila* cycle, followed on logically enough from the burst of extravagance of *Chant des déportés*, though Davis's reading had, I found, an admirably disciplined precision, and this without undue emotional restraint. The approach was in keeping with that of the soloists – Yvonne Loriod (Messiaen's widow) despatching the piano obbligato with her usual steely authority and her sister Jeanne bringing to the ondes martenot whine an unlikely quality of discretion.

Turangalila comes at virtually the mid-point of the century, and it is profoundly touching that its own mid-point – a fifth movement headed "Joy of the blood of the stars" – should be an ecstatic cosmic dance. This is a far cry in spirit from an earlier masterwork of the 1940s, Schoenberg's one-movement piano concerto, Op. 42 (1942), whose final part is a sort of wittily neo-classical gavotte.

The 21-year old Tim Horton, a Cambridge undergraduate who has Boulez's formidable second piano sonata in his repertory, replaced the indisposed Alfred Brendel in the CBSO's vigorous account of this work and caught its note of cool but joyful science beautifully. The concert also included Shostakovich's eighth symphony, a graphic rendition of Britten's *Peter Grimes* interludes, and beyond these – as a late-night extra – a performance by the Birmingham Contemporary Music Group (whose members are drawn from the orchestra) of the music that Messiaen actually wrote in that Silesian camp (in 1940), his *Quatuor pour la fin du temps*.

Theatre/**Sarah Hemming**

The Importance of Being Earnest

Any gay clergy in possession of scatter cushions had better stash them in the loft at once. They are clearly evidence of a most conclusive kind. In Sean Mathias's recent production of *Design For Living*, which brings the play's gay subtext emphatically to the surface, there are scatter cushions all over Otto's flat; and in English Touring Theatre's centenary production of *The Importance of Being Earnest*, (seen at Theatre Royal Winchester) Algernon's residence is knee deep in them. In fact, the lavish satin drapes, the velvet tablecloth – everything bespeaks a man with artistic taste, as does his candy-striped silk house coat and the hearty kiss he plants on the mouth of his friend Jack in greeting.

That, however, is as far as director Nicholas Wright goes in emphasising the subtext; he just nudges you to allow any coded references to percolate through. This is much more effective than heavy emphasis, since it is in the play's jaunty embrace of double lies and constant inversion of social ideals that Wilde really attacks the hypocrisy of his day. The play continues to speak to us – we still live, as Lady Bracknell says, in an age of surfaces.

Ironically, however, as the play progresses you begin to wish Wright had done something a little more outrageous with the production. There is nothing terribly wrong with it, but nothing striking either; it is simply rather flat.

The problem the play presents, of course, is that it is so stuffed with witticisms that it is difficult to progress through the dialogue – and tempting for the audience to play spot the quote. But the production does not overcome this: the actors do not deliver the lines as if they were fresh-minted, but as if each one were a hurdle to be leapt. The pace is slow and the overall effect rather laborious. The cast is attractive – Geoffrey Church as Jack is bluff and handsome, Charles Edwards as Algernon has mischievous charm, Jessica Lloyd as Cecily is petulantly pretty and Jennifer Scott-Malden as Gwendolen is haughtily beautiful. But the splendidly bitchy tea-time joust between the girls collects faint smiles rather than laughs and there comes a point where you feel that if Edwards' Algernon makes one more puppy dog appeal with the eyes, you will ram his hot muffins down his throat.

Most successful are John Nettleton as the old vicar and the drag artist Bette Bourne as Lady Bracknell. Bourne does not shy away from the lengthy shadow of Dame Edith Evans; rather he takes her on, with his own similar but sufficiently different phrasing of those immortal lines. He looks marvellous – a mountainous figure, upholstered in purple, with pebble eyes, a lemon countenance and a stiff wire-wool hairdo – and he rolls the words around his mouth like an old lady with a rogue peppermint. His success lies in the fact that he manages to convey that Lady Bracknell epitomises all that is pompous and monstrous in society, yet is curiously innocent of any intelligent malevolence.

Elsewhere, the production is charming; but it demonstrates all too well the vital importance of being funny.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

GALLERIES
Stedelijk Tel: (020) 5732 911
● Alfa Romeo: *The Essence of Beauty*: exhibition marking the development and design of Alfa Romeo cars from the early part of this century to the most recent models; to Apr 2
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Schoenberg Trilogy: new productions of "Die Glückliche Hand", "Von Heute auf Morgen" and "Erwartung" and the first time these three one-act operas are playing in one performance. With David Wilson-Johnson, Isoldé Elchlepp and conductor Winfried Maczewski; 8pm; Mar 28

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Der Fliegende Holländer: by Wagner. Conducted by Heinrich Hollreiser, production by Gustav Rudolf Sellner; 7.30pm; Apr 2
● Lucia di Lammermoor: by Donizetti. Conducted by Marcello Viotti and produced by Filippo Sanjust; 7.30pm; Mar 29 (8pm)
● Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 30 (7.30pm)
● The Girl of the Golden West: by Puccini. A new production conducted by Paolo Olmi and produced by Frank Corsaro. Soloists include Galina Kalinina and George Fortune; 7pm; Mar 31
Staatsoper unter den Linden Tel: (030) 200 4762
● Der Rosenkavalier: by Strauss. Nicolas Brieger directs this new production. The sets are designed by Raimund Bauer and Donald Runnicles conducts; 6.30pm; Mar 29

■ BRUSSELS

CONCERTS
Beaux-Arts Tel: (02) 507 8211
● Violin and Piano Recital: violinist Shlomo Mintz and pianist Georges Pludermacher plays Beethoven, Enescu and Hindemith; 8pm; Mar 29

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● Kirov Orchestra St. Petersburg: Valery Gergiev conducts Stravinsky and Tchaikovsky; 8pm; Mar 30
GALLERIES
Arte Giani Tel: (069) 97 58 37 88
● *Le Corbusier*: famous for his architecture, Le Corbusier also produced oil paintings, watercolours, drawings and graphics. This is an exhibition of 40 such works created between 1928 and 1964; to Mar 31

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Mahler Festival: Michael Tilson Thomas conducts the London Symphony Orchestra to play Schumann and Boulez; 7.30pm; Mar 29
● Royal Concertgebouw Orchestra: with pianist Maria Joao Pires. Riccardo Chailly conducts Beethoven and Strauss; 7.30pm; Mar 28
● Vienna Symphony Orchestra: with pianist Rudolf Buchbinder. Nikolaus Harnoncourt conducts Haydn, Mozart and Beethoven; 7.30pm; Mar 31
Royal Festival Hall Tel: (0171) 928 8800
● Royal Choral Society: with the English Chamber Orchestra and soloists Susan Gritton and Michael George. Richard Cooke conducts Saint-Saëns and Brahms; 7.30pm; Mar 28
● Royal Philharmonic Orchestra: with pianist Radu Lupu. Marek Janowski conducts Schumann, Beethoven and Brahms; 7.30pm; Mar 30

GALLERIES
Serpentine Tel: (0171) 402 0343
● Take Me (I'm Yours): a unique opportunity to touch, use, test, buy or take away the objects in this exhibition that has been selected by Swiss curator Hans Ulrich Obrist; to May 1
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Mar 29, 31
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Mar 28, 30
Royal Opera House Tel: (0171) 304 4000
● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Mar 29, 31
● Siegfried: by Wagner. A new production directed by Richard Jones and conducted by Bernard Haitink; 5.30pm; Apr 1 (4pm)

■ NEW YORK

CONCERTS
Avery Fisher Tel: (212) 875 5030
● New York Philharmonic: with soprano Sylvia McNair, baritone Hakan Hagegard and the Westminster Symphonic Choir. Kurt Masur conducts an evening of choral music by Brahms; 8pm; Mar 29, 30, 31; Apr 1

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 30
● Pelléas et Mélisande: by Debussy. A new production by Jonathan Miller. Conducted by James Levine; 8pm; Apr 1
● *The Ghosts of Versailles*: by Corigliano. Produced by Colin Graham, conducted by James Levine; 8pm; Apr 3
● Tosca: by Puccini; 8pm; Mar 29; Apr 1 (1.30pm)
New York City Opera
Tel: (212) 307 4100
● La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scotto. Soloists include Janice Hall/Oksana Krovytska and Stephen Mark Brown/Richard Drews; 8pm; Mar 28; Apr 1 (1.30pm)
● The Merry Widow: music by Lehár, English book adaptation by Robert Johanson. Conducted by Eric Stern, directed by Robert Johanson; 8pm; Apr 1, 2 (1.30pm)

■ PARIS

GALLERIES
Centre George Pompidou Tel: (1) 42 77 12 33
● Brassai: works by the French photographer; to Apr 3 (Not Sun)
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Peter Grimes: by Britten. A new production by Adolf Dresen with Jeffrey Tate conducting the Philharmonia Orchestra; 7.30pm; Mar 28, 30; Apr 2 (5pm)
Opéra National de Paris, Bastille
Tel: (1) 47 42 57 50
● The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joël. Soloists include Gegam Grigorian and Gaetan Laperriere; 7.30pm; Mar 29, 31

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with pianist Barbara Nissman. Barbara Yahr conducts Kernis, Prokofiev and Rachmaninov; 8.30pm; Mar 30, 31 (1.30pm) ; Apr 1
● Royal Concertgebouw Orchestra: with pianist Maria Joao Pires. Riccardo Chailly conducts Berg, Beethoven, Stravinsky and Prokofiev; 8.30pm; Mar 31

OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● *Carmen*: by Bizet. A new production with Denyce Graves in the title role. Ann-Margret Pettersson directs a production by Lennart Mörk. Conductor Cal Stewart Kellogg. In French with English surtitles; 8pm; Mar 30; Apr 1 (7pm)
● Tiefland: by Eugen d'Albert. Roman Terleckyj directs a new production by designer Zack Brown. In German with English surtitles; 8pm; Mar 28, 31; Apr 3 (7pm)

THEATRE
Arena Stage, Fichandler Theater
Tel: (202) 488 3300
● I am a Man: directed by Donald Douglas. Recreation of the Memphis garbage workers strike of 1968 and the civil rights movement; 8pm; to Apr 9
Kennedy Center Tel: (202) 467 4600
● The Art of the Samurai: a two part programme that includes a demonstration of Samurai sword fighting and a performance of Akho-Gishi, a Japanese historical drama from the Edo period (1600-1868) directed by Takashi Ishiguro; 7pm; Mar 28
Washington Shakespeare Company Tel: (703) 418 4808
● A Streetcar Named Desire: by Tennessee Williams. Christopher Henry directs; 8pm; to Apr 15

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Tom Burns on the government's privatisation plans in Spain

Assets sale – starting soon

Spain's socialist government is steeling itself for the disposal of its crown jewels, with the creation of a new legal framework for the privatisation of state-owned enterprises.

There is no firm list of saleable, government-controlled enterprises, nor a precise timetable for their privatisation. But the government has abandoned the piecemeal public disposals of the past, and committed itself to a programme that places privatisation high on the political agenda.

There are several reasons for the government's change of heart: the need to raise revenue, the absence of clear political or economic dividends from public ownership, and the desire to keep abreast with policies elsewhere in the European Union.

"For more than 10 years the government believed that the debate was not between private and public ownership but between what was efficient and what was not," says Mr Oscar Fanjul, chairman of Repsol, the oil, gas and chemicals conglomerate. "Now it has conceded that efficiency is more likely in the private sector."

By the middle of next month, state ownership of Repsol will have been reduced from 40 per cent to 25 per cent through a global share offer. The months ahead are likely to see sales of shares in Telefónica, the telecommunications group, and Argentaria, the banking group, which are respectively 32 per cent and 52 per cent government-owned.

Spain's state-owned companies have tapped the markets before – the Repsol offering is its third since 1989. The current plans, however, represent the largest equity sell-off in a single year by the government.

Such sales form part of the government's plans for meeting the convergence criteria set in the Maastricht treaty for European economic and monetary union. These include a reduction in Spain's budget deficit from 6.7 per cent of gross domestic product last year to 5.9 per cent this year and 4.4 per cent in 1996.

The EU has given an added push to privatisation in supporting the peseta's continuing membership of the exchange rate mechanism after its 7 per cent devaluation earlier this month. Brussels highlighted the "utmost importance" attached by the Madrid government to reducing its budget deficit, and that "high priority" measures included the privatisation of public enterprises.

This year's budget included earnings of Pta300bn ($2.3bn) from public sector disposals – with the Repsol offer expected to account for nearly half the total. But with Mr Pedro Solbes, the economy minister, already forced to prune government expenditure in January to keep to spending targets, further sell-offs may be necessary.

The government, however, prefers to point to the positive advantages of privatisation, rather than the need to raise revenue. Mr Juan Manuel Eguigaray, the industry minister, recently said at a business conference that the government was motivated by the desire to "improve the efficiency and the competitiveness of the public sector companies".

However, the legislation hurried through parliament to regulate future offerings of shares in state-owned companies indicates a desire to keep control over strategically important industries.

The law will have a similar effect to the golden share retained by the UK government in privatisations, allowing a veto on takeovers. It will give the Spanish government considerable power to decree what a privatised company can do, and might cover matters such as asset sales, trading relationships and employment policies.

It will also introduce new restrictions on share disposals in companies that are more than 25 per cent state-owned. In addition, in companies where a sale of shares would leave the state with a minority stake, government approval is required for disposals of 10 per cent or more. Approval is also needed for any disposal that reduces the state's stake to less than 15 per cent.

In addition to the legal restraints, the government is working to encourage domestic private sector institutions to take stakes in privatised companies. This follows France's *noyau dur* model of assembling a hard core of friendly shareholders to take the place of the state.

The government's concern is to protect Telefónica from foreign takeover once the government reduces its shareholding. La Caixa, the Barcelona-based savings bank, Banco Bilbao Vizcaya, the retail bank, and Argentaria jointly own 9 per cent of shares in the telecoms company, and have agreed to raise this to 15 per cent.

However, it is doubtful whether a similar group of potential equity buyers could be assembled to maintain Spanish control over other big corporations. There is a shortage of domestic capital to buy into state enterprises since, as Mr Eguigaray points out, the largest industrial companies are in state ownership.

Ministers fear that privatisation will mean the end of national control of important industries. Experience in the partial privatisation of Repsol, Argentaria and Endesa, the leading domestic electric utility which is 65 per cent government-owned, is that the tranches of shares offered to international investors tend to be better subscribed than the domestic offerings. Even where shares are bought by Spanish investors, they are often sold subsequently to foreign investors.

However, the government's desire to protect what it sees as national interests in selling off state enterprises has led to criticism from the opposition and business groups. They say international investors are likely to prefer other countries' privatisation programmes that involve less state interference.

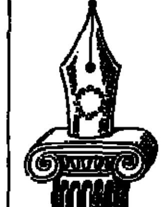
"The first problem is that the government is not really bullish about privatisation," says the chief executive of a UK merchant bank in Madrid. "The second is that there are simply not too many *noyau dur* candidates around in Spain."

Mr Luis Gamir, industry spokesman for Partido Popular (PP), the conservative opposition party which has established a 10-point lead in opinion polls, says the legislation is potentially the most interventionist in Europe. "While modelled on the British and French precedents, it is much more restrictive than both."

The fears of excessive regulatory zeal, meanwhile, are unlikely to disappear while the socialists remain in power. A more thoroughgoing disposal of Spain's state enterprises will, in all probability, have to await a PP government.

Europa: Sergio Romano

After the whirlwind



In February 1992, Antonio Di Pietro, a young Milan magistrate, arrested the chairman of the Pio Albergo Trivulzio, one of the city's most important charitable institutions, on corruption charges. This was the beginning of the so-called "clean hands" judicial investigation that has since swept away a large part of the political establishment, creating the country's greatest political and constitutional crisis since the end of the second world war.

In the same month of February 1992, the Maastricht treaty was signed. Just as a treaty was agreed to map out a path to European economic and political union, all the vices and contradictions of Italian democracy came to the fore – in a manner that has impeded Italy's chances of converging with the rest of the EU.

Italy's drawbacks have since become only too evident. Corrupt political parties co-exist with a weak executive, costly and inefficient public services and an excessive state presence in the economy. Italian capitalism is still little inclined to accept the strictures of the market economy, the *mezzogiorno* is overrun by organised crime and the country as a whole is burdened by an antiquated fiscal system.

In just three years, a stormy wind of change has led to a renewal of parliament, the destruction of some political parties and the birth, seemingly from nowhere, of new groupings and new leaders.

The list of those cast aside includes the cream of politics, finance and industry. On the political side, Mr Bettino Craxi, prime minister between 1983 and 1987, has taken refuge in Tunisia, out of reach of the courts. Mr Giulio Andreotti, prime minister until the general elections of April 1992, is waiting to be tried by a Palermo court on charges of association with the Mafia. Mr Gianni Di Michelis, foreign minister between 1989 and 1992, is before a Venice court charged with corruption.

Italian political life has become a sort of meat-mincer in which all the parties, old and new, continue to be broken up, and new faces risk obsolescence in a few months. Since the beginning of 1995, no fewer than three parties have split: the Northern League of Mr Umberto Bossi, the Italian Social Movement of Mr Gianfranco Fini, and the Popular Party of Mr Rocco Buttiglione.

Italian politics has become a meat mincer. All the parties, old and new, are broken up, and new faces risk obsolescence in a few months

The principal symbol of Italian political life – the Christian Democrats' red cross – is being squabbled over by two factions of the Popular party, which are now in the courts like a divorced couple quarrelling over their assets. Meanwhile Mr Silvio Berlusconi, founder of Forza Italia and prime minister until January, could face the end of his lightning career in politics unless there is an early election.

Seen from outside, the crisis might appear as indecipherable as it is intractable. In Bonn, London and Paris it is hard to understand how Italy continues to be politically unstable yet socially tranquil, and how such instability can last so long without a visible solution. One fact seems obvious: Italians can tolerate a degree of political disorder and uncertainty that other Europeans would regard as intolerable.

In fact, the tolerance is more apparent than real: disorder and uncertainty are taking their toll. The circumstances in which Italy finds itself are part of much wider changes in international politics. For 45 years, Italy's political agenda has been set above all by its links with western Europe and the US.

Membership of the European Community placed Italy among the most advanced nations of the continent and gave Italians the comfort of taking part in a supra-national venture. The US guaranteed security, enabling Italy to make only limited budget outlays on defence.

During this period Italy had 50 governments. Yet each prime minister's speech resembled the last's, like drops of water: constant refrains were sung to the European Union and the Atlantic alliance. Under this dual umbrella, Italy was able to achieve its economic miracle, become the world's sixth biggest industrial power and earn the right to a place in the Group of Seven, the world's most prestigious political club.

Following the end of the cold war, the certainties that previously determined Europe's ties with the US have changed. Italy's strategic importance in the Atlantic alliance – and hence its value to the US – has been reduced. The creation of the European single market and the project for economic and monetary union demand modernisation of Italy's politico-adminstrative system.

Italy's political system is now in crisis precisely because it has been unable to adapt to these challenges. A costly, inefficient and corrupt democracy has suddenly had to confront a new international environment, but it cannot live up to the new responsibilities and obligations that come in its wake. If Italy wants to keep up with the rest of the Union and remain part of the G7, it must resolve these problems.

Unfortunately while Italy is preoccupied by the task of modernisation, the Maastricht clock ticks on. Brussels continues to produce directives on economic and business matters that place greater distance between Italy and the rest of Europe.

The report on European integration last September by the parliamentary group of Germany's CDU/CSU conservative parties argued that five countries would form the core for European integration. They were France, Germany, the Netherlands, Belgium and Luxembourg – a list that ostentatiously excluded Italy.

For the majority of Italians, the CDU/CSU judgment showed how Italy is in danger of losing the influence it exercised as a founder country of the EU, and being relegated to the second division. How long can a country remain a member of the G7 when its public finances are in such crisis – as are Italy's – that it cannot hope to meet the Maastricht treaty's conditions for economic and monetary union?

Italy's crisis thus offers opportunity and risk. If Italians manage to come up rapidly with solutions to modernise the country's politico-economic framework, Italy can play a part in Europe and in the industrialised world commensurate with its weight and ambitions.

But if Italy's political and economic problems deteriorate further, and its politicians continue to wallow in introspection, Italy will slip irredeemably down the ladder of the European hierarchy. If it slips a few rungs, it will find it very difficult to climb up again.

The author is a former Italian ambassador to Moscow.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

An ambitious agenda for Europe's defence

From Rt Hon Malcolm Rifkind, QC, MP.

Sir, The Financial Times rightly highlighted the British initiative on European defence last Thursday. But it was wrong in saying that our proposal is modest; and that we should bring defence under the umbrella of the union.

Talk of European defence over the years would have filled a sizeable hot-air balloon and provided about as much real hardware on the ground. Ambition has to be rooted in practical reality.

Why do the Europeans need a new separate defence of their own? Eleven members of the Union already share a common defence, through Nato; none truly wants or could afford to replace or duplicate this. The other four Union members have policies of neutrality that are not going to change this year or next. So talk of a common European defence may seem harmless. But there is still a hankering in some quarters for something called European defence, to complete the European portfolio.

Some have advocated a fourth, defence, pillar of the European Union. This simply would not work because of the status of the neutral states of the Union – Ireland, Sweden, Austria, Finland – that are not members of either the Western European Union or Nato. And it would exclude other European states – Norway, Turkey and Iceland – that are in Nato but not in the Union.

Our proposal avoids these difficulties. Without cutting across Nato, it would give the Europeans the means to mount combined military operations to manage the crises that are more likely to face us. The tasks – peacekeeping, humanitarian assistance and the like – were identified three years ago. What has changed since then is that we can see how dangerous and demanding these tasks can be. Nor can we expect our North American allies always to want to become directly involved. So there is an increased role for action by Europeans who are prepared to share the burden of promoting stability, in Europe and the wider world.

We are in practice, therefore, setting a highly ambitious agenda for the Europeans – one that Europe collectively cannot now fill. And we are ready to invest in making a reality of European defence.

We have chosen the Western European Union as our instrument. The WEU's working links with Nato will give it access to assets needed to undertake the new tasks. The WEU can act on request from the European Union, in a reinforced partnership. And it embodies the habits of consensus and inter-governmental co-operation that are essential in the defence field.

Our proposals have been widely welcomed. They are forward-looking and ambitious in practice. Our vision is of a Europe of nations voluntarily engaged at the highest political level to provide a capacity for action in the real crises that we may face.

Malcolm Rifkind,
secretary of state for defence,
Main Building,
Whitehall,
SW1A 2HB, UK.

Benefits of job stability

From Mr Peter Ingram.

Sir, Regulation often exists to prevent market failure and promote economic efficiency. The process of deregulation therefore needs to proceed with caution; the net result of institutional reform need not imply universal benefit. Your editorial ("Goodbye to Job Security", March 24) is correct to highlight the potential jeopardy to long-term shareholder value caused by increased workplace instability.

Continued deregulation of the employment market may have helped create jobs in low-wage sectors of the economy. However, as you suggest, a less beneficial consequence may now be threatening to erode the capacity for improved performance and wealth creation.

Policymakers should take heed from their recent experience of a feel-good free yet "efficient" labour market: more enduring solutions to enhance productivity are required. Pursuing an ever downward spiral towards the more insecure forms of employment found elsewhere in the world is a fallacy of composition and no response for domestic prosperity.

Peter Ingram,
University of Surrey,
Guildford,
Surrey GU2 5XH, UK.

Instinet

The headline of Douglas Atkins's letter published on March 24 should have read "Price-driven system best for SE".

Guatemalan peace through negotiation

From Mr Edmundo Nanne.

Sir, Your article "Guatemala abuses condemned by UN" (March 15) on the report last week by the United Nations observer mission in Guatemala, does not mention the importance of steps taken by Guatemalan president Ramiro de Léon Carpio to add needed momentum to Guatemala's peace process.

The UN report noted that President de Léon has reiterated his commitment to end obligatory military recruitment. In January, the president replaced the interior minister and chiefs of the national police and customs police to promote public safety and protection of human rights. In an immediate response to the UN report, on March 15 the president ordered his cabinet to comply with its conclusions and recommendations.

The key to Guatemala's democratic future lies in the Mexico City peace process. Government support for this process and the UN's new timetable has been unwavering. And despite rebel economic sabotage (noted by the UN report) and kidnapping of civilians for ransom, the government has not declared a state of emergency or suspended constitutional guarantees.

Optimism ran high over last week's resumption of talks between the government and National Guatemalan Revolutionary Unity guerrillas. Talks may have faltered again. But after 34 years of cold war-inspired conflict, Guatemala's leadership remains convinced that a negotiated end to internal conflict is attainable and an indispensable element of a lasting peace.

Edmundo Nanne,
Ambassador,
Embajada de Guatemala,
Reino Unido (UK)

Balance of disadvantage

From Ms Sheila Page.

Sir, The findings by the Food and Agricultural Organisation that Africa will, on balance, be disadvantaged by the Uruguay Round because its net imports of agricultural goods will rise, and that it will lose some of its preferential access to developed countries, accord with those of the Overseas Development Institute last December and other observers.

But this does not justify your headline that the "Third World" will be worse off or your correspondent's suggestion that low-income countries will be "significantly" worse off.

Other developing countries will gain: those which export, rather than import, cereals (notably in southern South America and Thailand); those benefiting from changes in preferential access (Latin America and Asia); and those favoured by reform of the clothing and textile trade. The last group includes some African countries.

What is significant about FAO's conclusions is that they confirm that the poorest countries do not participate in the gains which the rest of the world will see from the trade reforms because they and the composition of their trade are not yet sufficiently developed.

The answer is not to delay or criticise the gains of others, but to encourage and assist the low income countries to diversify away from basic agricultural goods.

Sheila Page,
Senior Research Fellow,
Overseas Development Institute,
Regent's College,
Inner Circle,
Regent's Park,
London NW1 4NS,
UK

Status of Hong Kong

From Yoshinobu Uchikoshi.

Sir, I read Mr Li Ruihuan's Personal View (March 24) with interest. He says the connoisseur, China, has redeemed the valuable Yixing teapot, Hong Kong, and that the old lady, Britain, should not tamper with it any longer.

But if Hong Kong had not been ceded from China in 1898 and if it had not been to Britain, it would not have been today's global financial centre.

As Mr Li Ruihuan says, it depends upon China's policy whether Hong Kong will be able to keep today's status after the reverse to Chinese sovereignty. I would like to know how the Chinese are going to run Hong Kong.

Yoshinobu Uchikoshi,
director and general manager,
Kyoto Research Institute,
Yaesu 2-3-14, Chuo-ku,
Tokyo, Japan

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Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
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Hollowing out in Japan

Every sharp yen appreciation in recent years has prompted anxieties in Japan that loss of manufacturing competitiveness would "hollow out" its economy. Yet the country's exporters have repeatedly led the economy back to growth by cutting costs, restructuring their operations and regaining profitable world market share. This time, however, there are new dimensions to the challenge.

One is a secular decline in export dependence by much of Japanese industry: unit vehicle exports, for instance, have fallen by a quarter since 1985. The main reason is a steady shift of production offshore, which the yen's recent strength promises to accelerate. Although only about a sixth of total manufacturing is overseas – still low by US standards – the ratio in many important product lines is far higher. Two-thirds of Japanese colour TVs and microwave ovens are now made abroad, while fewer cars are exported to the US than are assembled there.

Meanwhile, many Japanese industries are burdened with heavy excess capacity at home and face growing challenges abroad. Detroit is far fitter than a decade ago, so much so that the once-moribund Chrysler is regarded, even in Japan, as a leader in low-cost product development. US companies have regained the initiative in semiconductors and computers, while Korean and other Asian competitors are swiftly eroding Japan's former dominance in businesses from shipbuilding to memory chips.

None of these developments necessarily presages "hollowing out". Some, indeed, are healthy. It is a natural process of industrial development for lower value-added activities to move offshore or be surrendered to foreign rivals. The efficiency of Japanese producers also clearly benefits from cheaper imported inputs.

It is less certain, however, that Japan is moving fast enough to lay the basis for robust recovery. Not only does its prowess in efficient volume manufacturing of mechanical and electronic products face fiercer competition. That strength is no longer such an advantage in dominating growth businesses. Advances in media, information networks, software, retailing and telecommunications are increasingly driven by service providers and marketing men, rather than by engineers. Many more of the leaders in these sectors are in the US than in Japan.

The most obvious explanation lies with over-regulation of the Japanese economy. Its rigid markets have discouraged the spirit of free experiment which has stimulated commercial innovation in the west – above all in the US. The negative consequences are increasingly evident, notably in Japan's slowness to modernise its backward service industries – or develop vigorous new ones. Arguably, the task has been made even harder, as exporters have adjusted to yen appreciation by shifting redundant workers from manufacturing into already over-staffed service functions.

The need for change has been acknowledged in a growing consensus in favour of deregulation, albeit in the name of enhancing efficiency rather than creativity. But action so far has been timid, and the results disappointing. While the government wavers, producers continue stubbornly to defend special interests.

Yet effective deregulation has to involve some sacrifices. Without stronger political leadership or much more forceful consumer pressure, it is up to producers to recognise that some short-term pain is a price well worth paying for the collective gains to be had from a more dynamic, diverse and demanding home market.

Foresight saga

It looks a bit like trying to pick winners. But the UK government's Technology Foresight Programme, which aims to give long-term guidelines for public and private-sector research and development, deserves serious attention. Yesterday it published the first five analyses of 15 different industries. The questions now are whether the research areas it has targeted are the right ones, and if they are, whether anything will change.

The Foresight panels emerged out of the 1993 science white paper, which tried to sketch a long-term future for research and development, particularly publicly funded work. Each year, the government gives more than £1.2bn to scientific, engineering and social science research by universities and other academic bodies.

The Foresight aims are admirable, if ambitious. Science and technology play a central role in wealth creation and long-term international competitiveness. But the government is concerned that the UK does not extract the maximum commercial value from scientific discoveries.

Moreover, basic research itself has been facing new pressures. The economic slump of the early 1990s is one; recent OECD reports show that private-sector spending on R&D in many countries fell sharply during recession. Another is the cuts in defence budgets. Meanwhile, privatisation of telecommunications and energy, sectors which traditionally invested heavily in R&D, has deprived the government of some of its previous knowledge and control of the direction of research.

Many of the conclusions published yesterday are sensible. The financial services group recommends research into ways of preventing fraud. The health group hopes for flexible transfer of people between academia and industry. The transport group wants research into "why people travel"; that might seem banal, but the answers would help plug gaps in the government's transport policy.

Although the private sector will in many cases carry out the recommended research simply out of self-interest, Foresight may still make a difference at the margin. There are many areas of research which companies neglect because of the unreliability of returns on investment. The wider potential benefit to society means that measures to encourage them to do the work are justified. Well-meaning and worthwhile, then, is the preliminary verdict on the Foresight recommendations, even if it does not yet look like setting British science on fire.

Unsafe haven

Last year, in Bihac, a UN "safe area" in Bosnia was shelled from an area of Croatia that the UN was supposed to have disarmed. Last week, in northern Iraq, a "safe haven" set up by four Nato countries four years ago was attacked by one of their allies, using weapons supplied by another. So does the post-Cold war world conspire to make fools of those who try to organise it, and of the institutions through which they do so.

Both regions urgently require a fresh effort of imagination and will from the powers that have taken it on themselves to try and guide their destinies. Northern Iraq in particular is a western responsibility. "Operation Provide Comfort" in 1991 secured its Kurdish inhabitants against the immediate threat of repression by Saddam Hussein, but has left them in a legal, political and economic limbo. They were discouraged from declaring independence, since this would have been deeply upsetting to Iraq's neighbours as well as Iraq itself; and in the name of Iraq's fictional territorial integrity they have also remained subject to UN sanctions, even though those sanctions are supposedly aimed at the regime from which they were saved.

Even help in forming a humane and impartial police force was denied them, lest it be mistaken for building an independent state. In the circumstances it is not surprising, although it is very sad, that their autonomous government has all but disintegrated amid factional fighting, in which both sides have been accused of extensive human rights violations. Now the Turks have invaded, ostensibly in search of Kurdish separatists from their own side of the border but actually, to judge by the size and duration of their presence, with a broader ambition to fill the power vacuum.

Stung by international criticism, the Turkish prime minister has asked for international help. She should be taken at her word. The powers which provided rather cold comfort in 1991 should now try again and do better.

It is important to distinguish between the two problems: one is the power vacuum in northern Iraq; the other is the situation on the Turkish side of the border, where a bitter civil war has been fought for years. As far as the former is concerned, the area desperately needs a functional administration. If there is no desire to send another multinational force, then, at the very least, aid should be given to train a police force.

As for the civil war in Turkey, it should be brought home to the Turkish government that the situation there is now a "threat to international peace and security", in the words of the UN charter. It cannot be solved by military means alone. It is in the search for a political solution that Turkey can, and should, look to its allies for help.

Detour from the superhighway

Sumner Redstone and Frank Biondi explain Viacom's business strategy to Raymond Snoddy

Mr Sumner Redstone, the 72-year-old chairman of Viacom, the fast-growing international media group, has a simple belief about the media industry which he delivers with all the weight of his long experience and strong convictions.

"Software is king, was king and always will be king," he says.

By software, he means films, television programmes and books, rather than the devices that show them. Unlike many other media groups, Viacom has chosen not to chase off down the information superhighway into new technologies, but is concentrating on exploiting its software assets.

Last year, Redstone fought off a takeover bid from Barry Diller's QVC, the home shopping channel, in a long and bitter battle. And he took over Paramount Communications and Blockbuster Video to add to MTV, the satellite music channel, creating a media empire with an asset value of $28bn.

Many Wall Street analysts have questioned whether the $18bn price Viacom paid has saddled the group with too much debt. But Redstone recounts with a torrent of facts and figures what he and Mr Frank Biondi, the chief executive who runs the company, have achieved since: "Today we are a growth company, growing twice as fast, at least, as any of our competitors. We have 70,000 employees; 18 months ago we had 5,000.

"We are the largest English language publisher in the world and we produce more programming in terms of films and television than any other company in the world," he says without drawing breath.

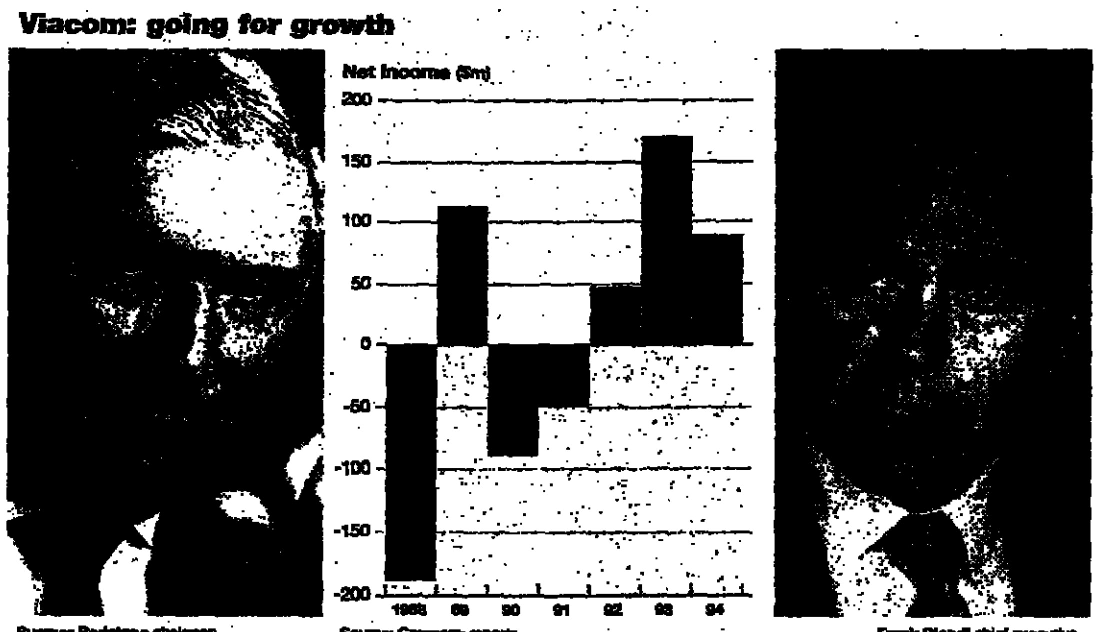
After running National Amusements, his family business, one of the largest cinema chains in North America, Redstone took over Viacom at the age of 63, at a time when most men are thinking of retiring.

On Wall Street, they called the battle for Paramount "the deal from hell". But it brought Viacom assets such as a Hollywood film studio, current hits such as *Forrest Gump* and *Clear and Present Danger*, and publishers Simon & Schuster.

"It was tough and it was brutal. But we were right in seeing it as the last studio available. It would have taken us several lifetimes to have built up all the businesses of Paramount," says Redstone. "Simon & Schuster has 375,000 copyrights in the software business, adding thousands every year."

Redstone believes he has already demonstrated that the Paramount assets were undervalued. Viacom has exploited the opportunities for cross-promotion between the different parts of its business – transferring the software from book to film, from video to satellite television.

Viacom: going for growth



Sumner Redstone chairman

Source: Company reports

Frank Biondi chief executive

Nickelodeon, the Viacom children's satellite channel, will generate family movies from Paramount. The channel is being used to promote the Brady Bunch film, which cost $11m to make and took $35m in its first three weeks at the box office. MTV's Beavis and Butthead, iconoclastic cartoon characters with a cult following among young people, will star in Paramount's first animated movie. Simon & Schuster is publishing 36 Nickelodeon books.

The group is now growing in the US and overseas, almost always by expanding its existing businesses and by concentrating primarily on established media rather than developing new technologies.

It plans to increase the number of films made by Paramount Pictures from 13 to 15 a year to about 25 over the next two years. However, the Viacom investment will stay roughly at the 1994 level of $525m to $535m. Currently these films are 100 per cent funded from Paramount resources, but the extra films will come mainly from partnership deals, where the partners will provide the finance and Viacom will be the distributors. The company has already agreed a 12-picture deal over the next four years involving Michael Douglas, the actor.

In television, the group launched VH-1, a more middle-aged version of MTV, in Germany earlier this month, to be followed by Nickelodeon. MTV is now being marketed in Mandarin Chinese and will launch in South Africa next year.

And in January, the group started the United Paramount network in the US, an advertising-funded television network distributed by traditional, over-the-air broadcasting rather than cable. It now broadcasts two nights a week and plans to move to three next year. However, by broadcasting the new Star Trek movie on its first night, the network beat ABC, CBS and NBC, the established rivals.

"Our overall ratings right now are where Fox [the rival network owned by Rupert Murdoch] got in five years. We are already there," says Biondi.

Viacom is going into the network business partly to protect its production interests now the rules have been changed to allow the networks to own and syndicate their own programmes.

Redstone and Biondi are also planning to create a new record label, to take advantage of their experience of the music business through MTV and VH-1, and move into entertainment retailing as Warner Bros and Walt Disney have done.

Viacom is even committed to its video hire interests – seen by many in the industry as a dying industry with falling prices encouraging people to buy rather than rent. The group is planning further expansion of Blockbuster video stores around the world, moving into South America and perhaps Asia.

The cost of assembling the three businesses has, however, been high, and left Viacom with $10bn in long-term debt. This is more than the debt that almost overwhelmed Rupert Murdoch's News Corporation at the end of 1990.

Nevertheless, Redstone and Biondi say they are comfortable with the group's level of debt, which should now fall sharply. Viacom is in the process of selling Madison Square Garden in New York and the group's cable television networks. If both deals go through, $3bn will be removed from the debt mountain. And if the Viacom loan stock price rises to $60 to $70 – as some brokers predict it will – about $4.5bn will convert to equity, taking debt down to $3bn.

"Then all of a sudden we'll have people on Wall Street complaining that they feel we're underleveraged. There's people there who would be concerned about that, ironic as it is," says Biondi.

Being underleveraged is not quite a problem yet for Viacom with Smith Barney, the US stockbroker, accompanying its "buy" recommendation with a "high risk" warning because of the debt level. The Smith Barney study does, however, have the title: Viacom – A Star is Born.

At least for now, the group has decided not to join the rush along the electronic superhighway into new multimedia sectors such as video-on-demand which would allow consumers to call up films on cable. Biondi is sceptical about the opportunities to make a profit in what he refers to as the "superhypeway".

"We'll stay at the edge of technology, understanding what it can do," he says. "We'll make some judgments about placing bets if anyone thinks it's ready."

The company's experimental interactive video-on-demand trial in California has been closed, because it was more difficult than expected to make it work. He adds that already the company is making money from information about MTV on America On-Line, an interactive database.

Through Simon & Schuster, Viacom is already the largest producer of multimedia titles in CD-Roms. But Biondi does not believe that people are going to switch from being "couch potatoes" – passive viewers of television – into a wildly interactive audience.

"Now do I believe my kids will be? Yes. Do I believe their kids will be? Absolutely. Do I believe my parents will be? Not a chance. So it is going to be an evolutionary process that will come more slowly than the actual implementation of the technology," says Biondi.

Until then, Viacom and Sumner Redstone will continue to concentrate on the software. Lots and lots of software. And if the world changes more quickly than they expect and Viacom needs its own distribution channels, if video-on-demand really does start eating into the business of Blockbuster video, they will simply lease the capacity.

Distribution channels, such as those provided by satellite, will have become commodities which can be bought off the shelf, Biondi believes. And software will still be king.

The right balance on media ownership

PERSONAL VIEW

The government is finally expected to announce the conclusions of its review of cross-media ownership regulation in the next six weeks. It faces a difficult problem in trying to strike a balance between two different sets of priorities.

On the one hand, British media companies are anxious to become more competitive and grow their businesses, particularly in overseas markets where size is becoming increasingly important. But the government also has a duty to ensure plurality and diversity of opinion to prevent a few powerful voices becoming too dominant.

Until recently, the case for government intervention was unassailable. British viewers could only receive four television channels. Government regulation on both content and ownership of those channels was the only way to guarantee a diversity of opinion and a wide range of choices for viewers.

But technological changes, including the advent of cable and satellite technology and the development of digital TV, are changing the whole basis of British broadcasting.

The regulatory system needs to adapt to take account of those changes because 200-channel television should, by definition, provide greater diversity, plurality and viewer choice than four-channel television. Over time, the burden of regulation on those four channels should be lifted.

The issue for the government is how quickly the rules should be relaxed. Some argue that all ownership regulation should be left to normal competition policy. Others say the time has come to treat the three mainstream media – television, radio and newspapers – as one market, with ownership limited by the share of audience each media company gains.

But both approaches ignore the reality of today's television marketplace. We are only at the start of a technological revolution and have no idea how it will develop. It will be several years before even 50 per cent of UK homes have access to more than the four – or perhaps five – main terrestrial channels. Those channels will enjoy an audience share of more than 70 per cent well into the next century.

So, although competition is growing, the transition to a multichannel environment will be gradual. The regulatory regime should keep pace with, but not seek to anticipate the effects of, technological changes. The rope of regulation should be let out bit by bit, not all at once.

The rope of government regulation should be let out bit by bit, not all at once

On cross-media ownership – newspaper companies owning TV companies and vice versa – the crucial benchmark for now should remain whether or not an organisation controls a terrestrial television company or a national newspaper. For as long as ITV, Britain's commercial television network, retains such a dominant position in the market, with a share of more than 40 per cent of all British viewing, national newspaper companies should not be allowed to control regional ITV companies and vice versa.

However, as the number of new services increases and their audience share grows, the rules can be relaxed. A sensible first step, which could be made straight away, would be to allow newspaper groups to increase their stakes in ITV companies (and ITV companies in newspaper groups) from the present maximum of 20 per cent to 29.9 per cent.

On the issue of the proportion of the ITV network that one company can control, there is a similar case for some further deregulation, while preserving an overall limit.

The present rules are somewhat arbitrary in that they limit ownership by the number of ITV licences – currently two – rather than market share. This means that the amount of advertising revenue that companies owning ITV stations control can and does diverge widely.

This in effect protects the position of the market leader and prevents its leading competitors from growing. Reforming the system to limit ITV ownership by market share – say 25 per cent of total television advertising revenue – would allow most ITV companies to grow, while preventing any one group from becoming too dominant.

The same principles apply to ownership of ITN, the television news supplier. Its status as one of only two large national news providers for 75 per cent of the UK population means no one company – Granada included – should be able to own a controlling interest. This is usually defined in the Broadcasting Act as more than 29.9 per cent.

Taken together, these measures would strike the right balance between allowing British media companies to grow and preserving the plurality and diversity of opinion which lie at the heart of our democracy.

Charles Allen

The author is chief executive of Granada Group's television division

OBSERVER

Raining cats and dogs

■ International finance-watchers are discovering an affection for domestic pets.

First we have Alison Cottrell, analyst at Paine Webber in London. She reckons finance ministers have realised that exhorting the Bundesbank to alleviate tensions by cutting rates will have the wrong effect. Calling this the "puppy principle" Cottrell says: "The more one demands that the Bundesbank comes to heel, the more likely it is to head for the hills... many lost dogs and upset owners later, the message seems finally to have sunk in."

Meanwhile Jochen Neynaber, managing partner at the German bank Schröder Münchmeyer Hengst, has just published a brief analysis of what he regards as a woebegone Frankfurt stock exchange. Called "The stock exchange – which way will the cat jump?" Neynaber concludes: "For now, the cat is not going to jump at all, but has retreated to the woods." The cat is neither a bear nor a bull, in other words. Please – no one mention that other beast, the Emu.

Encore, Moret

■ The rate of top executive change at Swiss pharmaceuticals group Sandoz seems to increase with the age of its ever-dominant chairman, Marc Moret.

In 1992, Victor Bischof, finance director, Max Link, pharmaceuticals director and Rolf Soiron, his successor, all packed their bags. In came Urs Bärlocher, former nutrition boss, to head pharmaceuticals, and Daniel Wagnière from New York as heir apparent, with the titles of president of the executive board and chief operating officer. Moret, then 70, tantalisingly promised soon to relinquish the mantle of chief executive.

Surprise all around a year later as Rolf Schweizer, a veteran of the chemicals side, and not Wagnière, was named chief executive. Now Bärlocher has been moved off to Germany and replaced by Daniel Vasella as head of pharmaceuticals, while Wagnière was reduced to director responsible for technology.

And what of Moret, now 72? The grand old man says, enigmatically: "The process to ensure continuity has begun."

It's a doll's life

■ Directors of Sun Alliance International Life, an offshore life assurance company based in Guernsey, were recently surprised by an unexpectedly high demand from the Middle East for brochures of their product Pension Plus, a pension plan aimed at expatriates. The company produced a gilt brochure illustrated with tiny reproductions of the works of artists such as Gainsborough and Sisley.

The directors discovered the interest was more in the brochure than the pension plan. The company's Middle East broker runs a sideline making dolls' houses; the tiny pictures are ideal for hanging on the walls of his little products.

Mass popery

■ You've read the book, you've heard the record, now see the film. Pope John Paul II, who has sold more than 3m copies of his book, *Crossing the Threshold of Hope*, and received a gold disc of his album, *The Pope's Rosary*, is now releasing a video. Called *A Celebration of Mass*, it gives viewers an account of the Pope and his work, set both in the Vatican and in some of the 90 countries he has visited. The 60-minute video will be released next month, in time to catch the Easter rush. What next – the T-shirt?

Too many goalsh

■ After Brazil's rather dull World Cup soccer win last year, it's good to know the country can still rustle up a good old Latin American controversy.

At a recent game between leading clubs São Paulo and Corinthians, referee Oscar Roberto de Godói suddenly became rather emotional. After sending off a Corinthians player for a dangerous tackle, Godói started booking every player who complained or even spoke to him. In three minutes seven players got the yellow card. By the end of the game a further three had been sent off and three more booked.

One São Paulo player insinuated de Godói might have had too much liquid refreshment before the match. In an increasingly surreal atmosphere, football authorities hurried him off for blood and urine tests. The urine test was negative; it will take another week for the blood test to come through. São Paulo – who lost 2-1 – are as fed up as other clubs with sloppy refereeing. The club is now threatening to field its third reserves, in protest.

The chic of it

■ Looks like Libération, the left-leaning French tabloid, has come up with an intriguing way of dealing with readers' complaints that its new format launched last year is too lengthy. The latest rejig – out yesterday, the paper stills runs to a chunky 48 pages – simply omits to number the pages in the normal place. Page numbers are still there, but in tiny typescript in the middle of the page, rather than at the edge where they might be of some use.

Here's an idea: why not cut out all the copy and just leave the re-designed page numbers instead? Chic, if nothing else.

Financial Times

100 years ago

Hotchkiss Ordnance

The ninth ordinary general meeting of the company was held yesterday, Admiral Sir Wyndham Hornby K.C.B. presiding. He said that most companies succeeded in times of peace and quiet, and by good trade and prosperity prevailing. This and other ordnance companies, however, succeeded when wars and disturbance took place. Gun orders for the English business in 1894 were satisfactory. Mention was made of a new gun, and the directors stated that the torpedoes had succeeded in America. The latter were now an accomplished fact, and the company had received orders which would bring in money.

50 years ago

Argentine rails active

Argentine Railway stocks were an active market yesterday on the expectation (later confirmed) that Argentina would declare war on the Axis. Although no confirmation that the Cabinet had decided to declare Argentina "in a state of belligerence with the Axis" was forthcoming during business hours, the stocks were busy on speculative account and prices generally were from a quarter to a full point higher.

FINANCIAL TIMES
Tuesday March 28 1995

Bosnia faces danger of all-out war, UN warns

By Laura Silber and Anthony Robinson in Zagreb, and John McKay in Belgrade

Bosnia faces the imminent danger of all-out war, the United Nations warned yesterday, after Serb forces responded to a Bosnian government offensive by shelling four UN-protected safe areas.

However, there appeared to be disarray in the UN over how to act to prevent the Serb attacks or avert the threatened escalation.

Mr Colum Murphy, UN spokesman in Sarajevo, the Bosnian capital, told reporters the UN was pledged to protect Moslem civilians in its safe areas, with air strikes against Serb positions if necessary.

"Attacks which come from outside a safe area and which deliberately target civilians will meet a resolute response from us, including the use of air power," he said.

However, Mr Michael Williams, the senior UN spokesman for former Yugoslavia, sought to downplay the idea that the UN had toughened its stance in response to the Serb attacks or the offensive by the mostly Moslem Bosnian government army.

Air power was "not something to be used frivolously", Mr Murphy said. "We may well err in some of these decisions. If we do, we will err on the side of caution, *but we will not be pushed to the* point where such events will go without answer on our part."

The UN did not call in Nato aircraft yesterday, even after Bosnian Serbs shelled Gorazde, a Moslem enclave in the east, one of six UN safe areas established in 1993 to stop a Serb onslaught on the isolated strongholds. Heavy fighting erupted last week when the Bosnian government army launched a surprise offensive against Serb-held positions in north-east and central Bosnia.

Bosnian Serbs said yesterday that thousands of Serbs were fleeing after their forces suffered a heavy defeat in a Bosnian government offensive on Mount Vlasic, north of Travnik, a Moslem stronghold in central Bosnia.

Bosnian troops were reported to have seized control of a radio and communications transmitter, which was held by the Serbs. Serb forces control about 70 per cent of Bosnian territory.

The renewed clashes have shattered the countrywide ceasefire, which began three months ago *and is due to expire on May 1.* Until then, it had appeared the most durable agreement since the war erupted three years ago.

However, the leaders of the warring sides have made clear they have also used the respite to prepare for more war. The Bosnian army has acquired more arms, and according to the UN, massed in the north-east in advance of the latest assault.

Mr Radovan Karadzic, the Bosnian Serb leader, on Sunday ordered a general mobilisation. He also called on the five nation contact group – comprising Britain, the US, France, Germany and Russia – which met yesterday, to halt the Bosnian offensive or suffer more war.

France, Germany offer UK role in arms group

By Bernard Gray, Defence Correspondent, in London

France and Germany have offered to allow the UK to join the proposed Franco-German arms procurement agency as a founder member. In return Britain has offered to put management of billions of pounds worth of weapons contracts under the agency's control if it joins as an equal member.

At a meeting of European defence ministers in Paris on March 23, Mr François Leotard, the French defence minister, and Mr Volker Rühe, his German counterpart, said France and Germany intended to press ahead with plans for a joint procurement agency. In a change to their previous position, however, they invited Britain to join as a founder member.

In return, Mr Roger Freeman, *the UK defence procurement* minister, said management of the £32bn Eurofighter 2000 programme, the £6bn Horizon next-generation frigate and a new European armoured car could pass to the new agency.

Britain's partners in the Eurofighter project are Germany, Italy and Spain, and in the Horizon frigate programme it is teamed with France and Italy. The UK is likely to be the largest customer for both.

The proposal is the latest and most significant step by European ministers towards an integrated European defence industry.

Both French and German governments have stressed the need for co-ordination of defence procurement. Mr Freeman has said *that he favours cross-border* consolidation of European defence companies as a way to cope with reduced demand since the end of the cold war.

While much of the detail of how the agency might work remains to be sorted out, the proposal is a radical departure. France and Germany had said they intended to go ahead with a common procurement agency alone, and others would be free to join at a later date.

However, Mr Malcolm Rifkind, the UK defence secretary, has made it clear that the UK does *not want to join an agency* whose rules have already been decided.

Equally, the offer of handing over management control of the Eurofighter project is a surprise, since France withdrew from the project almost 10 years ago.

The move is a recognition that rapid change is needed if the European defence industry is to respond to reduced orders and increased US competition.

Britain has been keen to take a lead in these discussions to improve its European credentials with its EU partners. However the strongly pro-European line *risks upsetting the Eurosceptics* within the Conservative party.

Gucci

Continued from Page 1

with two teenage children, lived in a rented flat in central Milan, but was formally resident in St Moritz, Switzerland, and was better known outside than inside Italy.

Mr Gucci's career in the family company was stormy, and he ended up quarelling with nearly all his close relatives in a bitter fight for control of the group.

This battle among the third generation of the family, was a more virulent re-run of the inheritance squabble that occurred between the sons of founder Guccio Gucci, once a waiter at the London Savoy, who died in 1953. Mr Maurizio Gucci's main adversary was his cousin Paolo, who was so determined to control the business that he even handed over incriminating documents regarding tax evasion by his father Aldo to the US authorities.

However, Mr Maurizio Gucci himself fell foul of the Italian courts, which in 1987 ordered his arrest for alleged fraud relating to Gucci share dealings.

He escaped to Lugano. Other charges followed, including illicitly channelling money abroad to finance the purchase of Creole, a luxury yacht formerly owned by the Niarchos family. But in November 1988 he was absolved of all charges, and he was able to return to the chairmanship the following year.

Bonn opens telecoms door to small groups

By Michael Lindemann in Bonn

Competition in the German telecommunications market, the third largest in the world after the US and Japan, is to be opened to small and medium-sized companies as well as large telecoms operators after 1998.

Mr Wolfgang Bötsch, the German minister for posts and telecommunications, in announcing guidelines yesterday for the regulation of the industry after Deutsche Telekom's monopoly is dismantled at the beginning of 1998, said the regulatory framework would be weighted against Deutsche Telekom and other large operators.

He said there would be no limit to the number of operating licences awarded. Successful applicants would need to show evidence of financial stability, experience of the telecoms market and the ability to manage a network with a high level of security and integrity.

He did not, however, cover the complex question of interconnection – the charges one operator pays another for carrying traffic on its network – one of the most important and unresolved issues facing the industry .

The minister said he was prepared to award licences for regional operators as well as nationwide ones, a move designed to open the market to as many competitors as possible.

But Deutsche Telekom and its competitors responded coolly to Mr Bötsch's plans to carve up the market into regional networks.

Veba, an energy conglomerate and a potential competitor to Deutsche Telekom, said modern, high-quality telecommunications networks could only be created if operators "were given a large enough slice of the cake to justify the investment".

An official at Deutsche Telekom said he was "sceptical [about such plans for regional networks] given that this would be a world first".

Mr Bötsch said that telecoms operators providing a universal service – in effect to every home and office – would be obliged to make access to their networks available for smaller competitors.

Under the guidelines, only companies with a "market-dominating" share of more than 25 per cent will be required to offer universal services. In the initial *stages of liberalisation, this* means Deutsche Telekom alone.

Bonn telecoms measures fail to connect, Page 3
See Lex

E Merck share sale aims to raise $1.8bn

Continued from Page 1

earlier this year.

The company said yesterday it would go ahead with the flotation only if stock market conditions *were favourable. The market's* recent slide has prompted Schwarz Pharma to postpone its offering, expected to be around DM250m, until equities recover but some other issues have gone ahead.

E. Merck hopes to sell about 60 *per cent of its share issue outside* Germany. It is discussing the possibility of a US private placement.

As with other large German offerings aimed at foreign and domestic investors, the book-building process will be used to assess institutional investor interest in advance.

THE LEX COLUMN

Dialling Deutschland

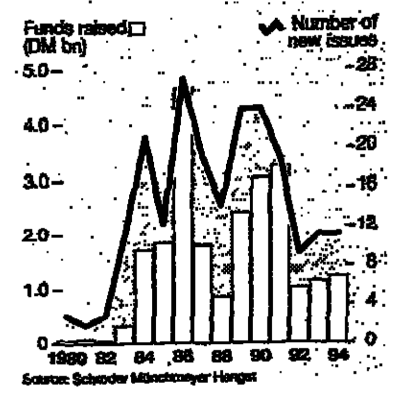
Germany's decision to open its telecoms market is good news for consumers. But it is bad news for both Deutsche Telekom, the soon to be privatised monopoly, and prospective rivals. A virtual free-for-all from 1998 *should lead to rapid cuts in Germany's* high telephone tariffs. A more restrictive licensing policy, leading to an oligopoly, would have suited the industry better. With several large German utilities and foreign operators able to pour vast sums of cash into the market, the current fat margins could quickly shrink.

BT and Cable & Wireless will be disappointed. They had hoped their tie-ups with Viag and Veba, both well-connected utilities, would help them to be among the chosen few receiving licences. They will still receive licences, but these will not be as valuable as they were hoping. Moreover, to secure the link-ups BT and C&W had to cede control of new joint ventures to their German partners. AT&T, by contrast, has been holding out for control in its negotiations with possible allies. Following yesterday's move, it should be in a good position to insist on this as it can threaten to go it alone and still be sure of receiving a licence.

Germany's open market policy increases the chance that the US will lift its objection to Deutsche Telekom's taking a stake in Sprint, the long-distance operator. But it leaves France, whose state-owned monopoly also plans to take a stake in Sprint, out on a limb. Unless France opens up *its market too, France Télécom could* find itself cut out of the Sprint deal.

FT-SE Eurotrack 200: 1363.7 (+8.3)

German new equity issues



Source: Schroder Münchmeyer Hengst

German new issues

E. Merck is the latest privately-held German company to embark on a quest for capital. The timing of the recent spate of equity offerings is unfortunate. The depressed state of the German stock market has already forced a number of new issues to be cancelled. But E. Merck, which hopes to complete the transaction by the end of the year, can afford to wait for the market to improve.

The deal is the latest example of a *long-awaited trend, as family-owned* companies raise fresh capital in order to expand – or allow younger generations of the family to realise capital. Investment bankers have been banging at their doors for years, but innate conservatism and profitability during the artificial domestic boom after unification contributed to stout resistance. Suddenly, companies are eager to beat the rush ahead of the DM15bn privatisation of Deutsche Telekom, slated for next spring. The withdrawal of a planned offering for Schwarz Pharma on Friday shows that the transformation of Germany's underdeveloped equity market may prove hard work. The strength of the D-mark is largely to blame. As well as depressing the stock market, it deters foreign investors from subscribing for new shares in over-valued D-marks.

The size of the E. Merck offering – around DM2.5bn – is a plus-point, as international investors fear illiquidity. But the company's Byzantine structure, designed to reduce tax rather than facilitate business, will have to be *simplified* before investors bite.

Marks and Spencer

With 20 years of international expansion under its belt, Marks and Spencer's decision to move into German retailing and look at the Chinese market should not be greeted with the horror normally reserved for retailers attempting to broaden their horizons. True, overseas expansion has been a painful process. The company's push into North America through a series of ill-chosen or over-priced acquisitions proved disastrous, though M&S has finally brought these businesses under control. It has learnt the advantages of organic growth. Although entry into the German market is likely to be slow, yesterday's announcement may well mean some property negotiations are at an advanced stage.

M&S does not need to look abroad. Its UK business is not yet mature: M&S continues to expand retail space at more than 4 per cent annually. But M&S is one of the few UK retailers whose ambition to become a multinational company should be taken seriously. Having replicated its high-margin UK business in France, Belgium, Spain and the Netherlands, the move into the large German market makes strategic sense. As elsewhere in continental Europe, the business will be geared more towards fashion than food-retailing. But as infrastructure develops, the company will be able to build up its food retailing business throughout Europe.

M&S is well on the way to accomplishing two awesome tasks: building a pan-European retailing business; and overturning long-held beliefs about British dress sense and English cooking.

Inchcape

The surprises from Inchcape's core motor distribution business have been alarmingly one-sided of late. It had already warned of the effects of a rising yen, a luxury Toyota fleet that is inappropriate for a more austere European market and collapsing Hong Kong sales. But the further deterioration in sales has come as yet another shock. It is fortunate for Inchcape that improved efficiency and sales growth in marketing and services has helped counteract sharply falling car profits. But this is unlikely to prevent another double digit decline in earnings this year, hence yesterday's 7 per cent fall in its share price.

The short-term outlook remains bleak. Stocks, namely unsold cars, rose by 27 per cent last year to £1.1bn. The group will be under pressure to offer inducements to get these off its balance sheet. Toyota's new range of *less luxurious cars is unlikely to come* to Inchcape's aid before 1997. And even when Toyota starts to win back consumers, it may want to keep the initial margin benefits to itself.

Of course this is reflected in a share price which has more than halved since the start of last year. The shares are yielding close to 7 per cent, and dividends are supported by a strong balance sheet. In addition, its earnings will pick up just as growth in many other UK companies' profits slows, which should lift the shares from their market discount. But that recovery remains distant, and the shares are unlikely to perform until the company can produce a more pleasant surprise.

See additional Lex comment on UK brewers, Page 22

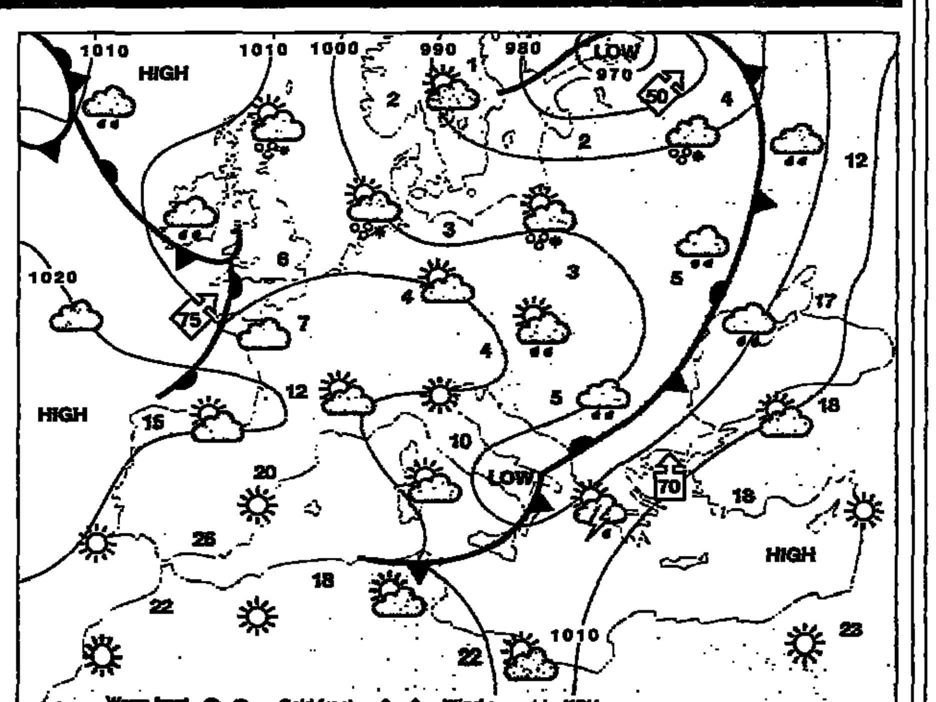
FT WEATHER GUIDE

Europe today

Ireland will start cloudy and rainy owing to a depression moving south-east. This will enter the Irish Sea around noon and is expected to reach northern France by midnight. Wales and central England will have some snow, which may hinder morning traffic. France, Belgium and the Low Countries will have clearing skies in the morning with isolated showers. During the afternoon, cloud will thicken and rain or sleet will arrive from the west. Southern France will be quite sunny, but relatively cool. Spain and Portugal will be sunny and dry. A depresion over the southern Adriatic will bring torrential rain to southern Italy and the south-west Balkans.

Five-day forecast

High pressure will bring settled conditions to Britain and western France on Wednesday with frost during the night. The Alps and Italy will be cloudy with rain and high elevation snow. The high will shift south, allowing milder air from the Atlantic to spread over Ireland, Britain and North Sea countries. A series of fronts will cross the area and these may cause rain, especially in Scotland and Denmark.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	29
Accra	fair	32
Algiers	fair	18
Amsterdam	shower	5
Athens	fair	18
Atlanta	fair	22
B. Aires	fair	27
B.ham	rain	6
Bangkok	fair	34
Barcelona	sun	16
Beijing	sun	17
Belfast	rain	7
Belgrade	rain	5
Berlin	sleet	3
Bermuda	shower	21
Bogota	cloudy	20
Bombay	sun	32
Brussels	cloudy	4
Budapest	fair	7
C.hagen	cloudy	3
Cairo	sun	23
Cape Town	sun	26
Caracas	thund	29
Cardiff	rain	8
Casablanca	fair	20
Chicago	cloudy	7
Cologne	cloudy	5
Dakar	fair	29
Dallas	cloudy	16
Delhi	fair	31
Dubai	sun	29
Dublin	rain	9
Dubrovnik	rain	13
Edinburgh	cloudy	5
Faro	sun	22
Frankfurt	cloudy	6
Geneva	fair	7
Gibraltar	sun	22
Glasgow	rain	5
Hamburg	shower	4
Helsinki	snow	0
Hong Kong	fair	28
Honolulu	fair	28
Istanbul	fair	18
Jakarta	thund	31
Jersey	rain	9
Karachi	sun	34
Kuwait	fair	25
L. Angeles	sun	20
Las Palmas	sun	22
Lima	fair	28
Lisbon	sun	25
London	rain	6
Lux.bourg	cloudy	3
Lyon	cloudy	6
Madeira	sun	20
Madrid	sun	20
Majorca	fair	18
Malta	sun	18
Manchester	rain	6
Manila	cloudy	32
Melbourne	fair	20
Mexico City	sun	27
Miami	fair	28
Milan	fair	16
Montreal	sun	4
Moscow	rain	4
Munich	cloudy	4
Nairobi	fair	26
Naples	rain	13
Nassau	fair	29
New York	sun	11
Nice	sun	14
Nicosia	shower	16
Oslo	fair	4
Paris	cloudy	7
Perth	thund	30
Prague	cloudy	3
Rangoon	fair	33
Reykjavik	cloudy	2
Rio	thund	28
Rome	fair	14
S. Frsco	sun	19
Seoul	fair	16
Singapore	cloudy	32
Stockholm	cloudy	1
Strasbourg	cloudy	6
Sydney	fair	23
Tangier	sun	22
Tel Aviv	sun	21
Tokyo	sun	13
Toronto	sun	4
Vancouver	sun	13
Venice	fair	14
Vienna	fair	6
Warsaw	cloudy	2
Washington	cloudy	12
Wellington	cloudy	18
Winnipeg	cloudy	2
Zurich	sleet	4

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday March 28 1995

IN BRIEF

BCI to cut dividend after flat profits

Banca Commerciale Italiana, the former state-controlled bank privatised slightly more than a year ago, is cutting its dividend after a year of flat profits. Page 18

Linde plans expansion into new sectors
Linde, the industrial gases and engineering group, plans to use rising profits and the proceeds of an issue to fund expansion into new business sectors. Page 18

GEA advances 32% to DM99m
GEA, the world's second largest maker of food processing equipment, said net profits in 1994 rose 32 per cent to DM99m ($70.2m), up from DM75m the year before. Page 18

Lazard to combine equity underwriting
The three investment banks which make up the Lazard Houses are to combine their European equity underwriting capabilities and set up a new joint operation, Lazard Capital Markets. Page 20

Salomon staff loss could hit earnings
Salomon Brothers, the investment bank, could lose some of its "most productive professionals," according to Mr Deryck Maughan, its chairman and chief executive. Page 20

Eli Lilly rises after optimistic forecast
Eli Lilly, the US pharmaceuticals group, issued an optimistic forecast for first quarter earnings on the back of strong sales around the world, pushing its shares up by 4 per cent. Page 20

Citic Pacific lines up with forecasts
Citic Pacific, the Hong Kong arm of the mainland conglomerate China International Trade and Investment Corporation, unveiled annual profits in line with expectations when net profits rose 36 per cent to HK$2.57bn (US$332.4m) in 1994. Page 21

US brewers spearhead assault on China
Anheuser-Busch and Miller Brewing are spearheading a renewed US assault on the China beer market which is becoming the focus of intense competition among international brewers. Page 21

US farmers respond to freer trade
The reduction and removal of trade restrictions with other countries, in the wake of the North American Free Trade Agreement and the General Agreement on Tariffs and Trade, seem to many American farmers the key to opening the door to their own expansion. Page 23

Threat of EGM for Northern Electric
Dissident Northern Electric shareholders are threatening to call an extraordinary general meeting unless the board enters talks with Trafalgar House about a new offer for the company by March 31. Page 22

New judge appointed for T&N's US case
The legal battle between Chase Manhattan and T&N, the engineering group, has gathered pace with the appointment of a new judge to consider the bank's $185m lawsuit over asbestos contamination at its New York headquarters. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW	688	+	13
Daimler Benz	621.5	+	10.5
Linde	759	+	14
Volkswagen	349.2	+	12.2
Falls			
Goldschmidt	780	–	35
Holzmann	642	–	13
NEW YORK ($)			
Rises			
Delta Air	59¾	+	1⅛
E System	45⅜	+	1⅜
Fed Express	65¾	+	1⅛
Lilly (Eli)	76	+	2¾
Texas Insts	95¼	+	1¼
UAL	100	+	4¼
LONDON (Pence)			
Rises			
Brake Bros	517	+	23
Coal Invs	98	+	6
Nestor-BNA	48	+	5
Sharelink	204	+	26
Falls			
Inchcape	278	–	22
Pearson	569	–	15
TORONTO (C$)			
Rises			
Bombardier	27¾	+	1⅛
Draco Energy	15⅞	+	⅞
Sandis	17	+	1
Falls			
Corel	19⅞	–	⅞
Franco-Nevada	62¼	–	1
Spectral Diag	34⅝	–	2⅝

PARIS (FFr)			
Rises			
CGIP	1093	+	41
Cr Foncier	507	+	19
Danone	813	+	21
Euro RSCG	515	+	20
Peugeot	665	+	17
St Gobain	585	+	17
TOKYO (Yen)			
Rises			
Ind Bk Japan	2040	+	100
Kawasaki Steel	316	+	10
Mitsubishi Bk	1990	+	130
Nippon Steel	322	+	15
Nikko Secs	761	+	12
Falls			
Kanematsu	365	–	11
HONG KONG (HK$)			
Rises			
China Motor	56	+	1.5
HSBC	87.25	+	2.3
Hang Seng Bk	55	+	2
Hutchison	34.2	+	1.6
Sun Hung Kai	54	+	1.7
Swire Pacific	54.25	+	1.7
BANGKOK (Baht)			
Rises			
Loxley Publ	480	+	16
Shinawatra Comp	530	+	14
Siam Cement	378	+	24
Falls			
Multi-Credit	186	–	66
PCM Precast	128	–	9
Sanyo Univ	400	–	20

New York & Toronto prices at 11.30.

SocGen threatens rival's rescue

French bank considers court action as it seeks tougher terms for Crédit Lyonnais

By Andrew Jack in Paris

Société Générale, one of France's largest banks, yesterday threatened to take Crédit Lyonnais to the European Court of Justice as it intensified efforts to oppose its rival's rescue plan.

The warning came as SocGen published a new analysis of the plan for Crédit Lyonnais suggesting that the costs to the French state would be FFr28bn-FFr40bn ($5.6bn-$7bn) if the bank is privatised by the end of the century.

The package, which allows Crédit Lyonnais to hive off FFr135bn of assets into a structure underwritten by the state, provoked an unusual public attack from SocGen and Banque Nationale de Paris, another leading private sector bank.

The two banks issued a statement questioning the plan. SocGen confirmed yesterday that it had also sent a version to Mr Karel Van Miert, the European competition commissioner, who was briefed by the French government last Friday.

Mr Marc Viénot, chairman of SocGen, said yesterday that if Mr Van Miert decided to take no further action against the rescue, he would contemplate opposing the plan in the European court and that he expected to be supported by BNP.

The bank called for tougher terms to be imposed on Crédit Lyonnais to finance the hived-off assets, greater independence in their sale, a limit to the state's guarantee, and no forgiveness of the bank's tax losses over the last three years.

Mr Jean Peyrelevade, chairman of Crédit Lyonnais, called the attacks "detrimental" to the French financial community. The bank said it was for the government and Brussels to respond to criticisms.

SocGen's analysis suggests that if Crédit Lyonnais is privatised at the end of the century, the net costs to the state of supporting the bank would be FFr28.2bn-FFr40.2bn at 1995 prices or FFr41bn-FFr58.3bn at 1999 prices.

The estimate assumes the state is left after five years with FFr54bn-FFr66bn in outstanding debts once it has sold many of the better quality assets among those FFr135bn hived off the balance sheet, offset by contributions of FFr1bn in the bank's profits, FFr7.8bn from zero-coupon bonds bought to help finance the shortfall, and FFr17bn in privatisation proceeds.

Mr Edmond Alphandéry, the economy minister, and Mr Edouard Balladur, the prime minister and presidential contender, have both made assurances that the rescue would not be more costly to taxpayers.

SocGen's conclusions correspond with others produced by financial analysts in the last few days stressing that while on paper Crédit Lyonnais' profits are curtailed by special levies over the 20-year theoretical life of the plan, in practice these obligations are likely to end with privatisation within the next few years.

Pirelli treads back into profit after drastic restructuring

By Andrew Hill in Milan

Pirelli, the Italian manufacturer of cables and tyres, yesterday demonstrated the benefits of drastic restructuring when it announced its first annual net profit since 1990.

The company, one of Italy's biggest and best-known international industrial groups, made a net profit of L146bn ($85m) in 1994, compared with a loss of L96bn the previous year.

The return to profit had been well-heralded by the group which in September announced a net profit of L54.6bn for the first six months of 1994.

Pirelli has been guided to recovery by Mr Marco Tronchetti Provera, its managing director, who took over full executive control of the group from Mr Leopoldo Pirelli, its chairman, in February 1992. That was just after Pirelli had been obliged to abandon its attempt to take over Continental, its slightly bigger German rival.

Since then, Mr Tronchetti Provera has attacked costs at the company, cutting debt from L4,000bn in January 1992 to L1,506bn last year.

The ratio of net debt to equity at the end of 1994 stood at 45 per cent, compared with 66 per cent in 1993.

Pirelli said that the main impact of reductions in fixed and variable costs showed through in operating profits which rose 28 per cent to L433bn.

The group has also begun to launch new products, and is pushing hard to establish a strong position in fibre-optic technology, both for cables and systems.

Mr Tronchetti Provera hopes this will allow Pirelli to take advantage of the promised surge in demand for multimedia services.

Capital expenditure in 1994 rose 18 per cent to L424bn and research and development spending was increased to L287bn, from L268bn.

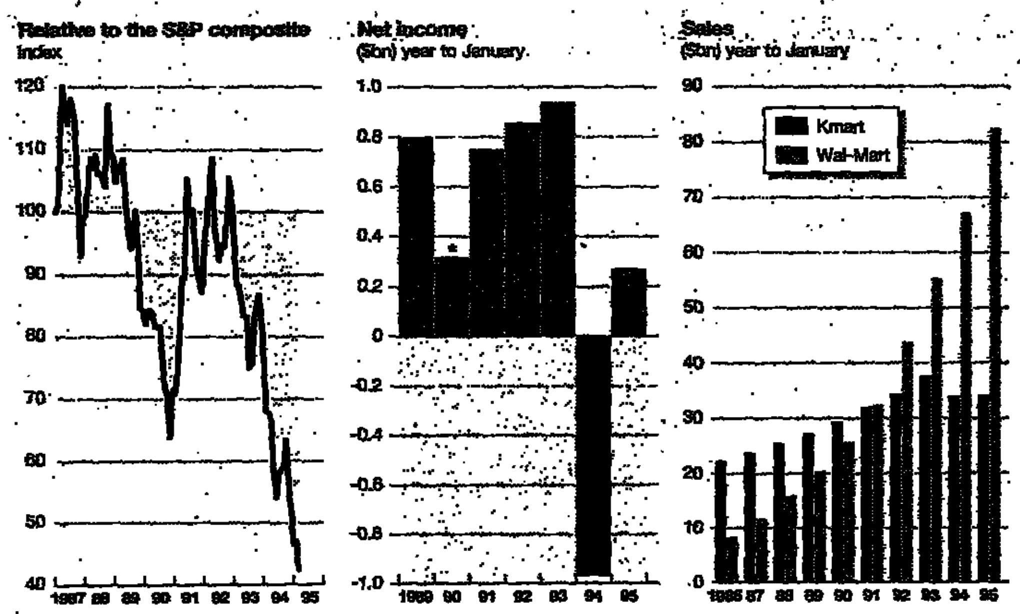
In 1994, the group's sales rose 6 per cent to L9,790bn, from L9,247bn in 1993.

There was no indication in Pirelli's statement yesterday about the possibility of a dividend for last year.

The group said the parent company had broken even in 1994, and final figures for 1994 would be published after the next board meeting on April 12.

Richard Tomkins charts the decline of a discount giant

Kmart's shelves are stacked against it



Source: Datastream, Company reports, Value Line

* Includes $1.3bn pre-tax restructuring charge

Kmart fails to beam out of a 1960s time warp

Kmart, the ailing US discount store group, was the world's biggest retailer until it was overtaken by its rival Wal-Mart Stores five years ago. Today, it clings to second place: but it seems likely to slip further down the rankings.

In the last few months stores have been closed, subsidiary businesses divested, jobs axed and the corporate aircraft sold, but the company has yet to stem a downward slide in profits.

Last week, shareholders' patience snapped: they demanded – and won – the resignation of Mr Joseph Antonini, chief executive since 1987. The board is searching for a replacement, but whoever takes on the job will face a formidable task trying to turn the company around.

Some of Kmart's problems can be traced back to its success in pioneering the discount store concept in the 1960s. Kmart revolutionised retailing with its "polyester palaces" crammed with low-cost general merchandise. But analysts say the company grew complacent in the face of rising profits, failing to invest in stock control technology and allowing stores to become dowdy.

"I think some time in the mid to late 1970s they got frozen in time and continued to do things in the same old way, and the world passed them by," says Mr Edward Weller, an analyst at Robertson Stephens, an investment bank. "As a reflection of that, they continued to promote people who did things in the same old way."

In the 1980s, Kmart woke up to the fact that other retailers – notably Wal-Mart, but also Dayton Hudson with its Target stores – were catching up.

The sales figures tell the story. In the year to January 1991, Wal-Mart had revenues of $32.6bn, only slightly ahead of Kmart's $32.1bn. Four years later, in the year to January 1995, Wal-Mart's revenues had risen to $82.5bn, while Kmart's were barely changed at $34.2bn.

Why the contrast? While Wal-Mart was gaining a reputation for selling attractive goods at low prices, Kmart was failing to offer goods that people wanted to buy. Margins and profits were squeezed as it cut prices to clear unwanted products.

Shoppers also regarded Wal-Mart's stores as more attractive than Kmart's, and found Wal-Mart's staff more friendly and helpful. And behind the scenes, Wal-Mart had a sophisticated inventory control and distribution system that kept its shelves stocked with the right quantities of goods at the right price – something Kmart lacked.

In the last few years Kmart has attempted to revitalise its financial performance. In 1990 it announced a $2.3bn store revamping programme; in 1992 it launched the Super Kmart Center, a type of discount store combining a food supermarket and a general merchandise store; in 1993 it began divesting poorly-performing specialty retailing operations accumulated in the late 1980s; and at the beginning of last year it took a $1.3bn restructuring charge to speed up its store revamping programme.

With profits spiralling downwards, Kmart took more drastic action last September by announcing the closure of 110 discount stores – about 5 per cent of the total – along with 6,000 job losses and a 10 per cent cut in its management ranks. But its results for the quarter to January, announced last month, showed further deterioration in its financial performance, with operating profits falling from $379m to $113m before one-time charges.

On the basis that things cannot get much worse, some analysts think there may be a modest bounce-back in earnings later this year: But as Wal-Mart continues its expansion, the competitive pressures are increasing; morale is at a low ebb; and it may prove hard to find a chief executive willing to undertake the task of trying to put the company to rights.

On the plus side, Kmart has collected about $2.5bn through sales of non-core assets, helping provide the cash for the refurbishment of its core stores. Even so, Mr Wayne Hood, an analyst at Prudential Securities Research, says the dividend will need to be halved if the investment programme – still only two-thirds complete – is to be maintained.

Analysts say Kmart may yet have a future if a new chief executive can cut the company's costs and get its merchandising right. But they also believe any recovery will involve a shrinkage of the business, closing stores that have no profitable future.

As Prudential's Mr Hood points out, there is nothing miraculous about Wal-Mart's success. "Selling Crest toothpaste is selling Crest toothpaste," He says. "It's just a question of who's executing it: and certainly Kmart has not been executing at the store level or at the corporate level as well as the competition.

"But I do think they can get down to a core group of stores that are profitable and growing. At this point it's a question of how deep they have to go."

Pearson rises 43% despite video games 'setback'

By Raymond Snoddy in London

Pearson, the UK media, information and entertainment group, yesterday produced a 43 per cent increase in pre-tax profits to £297.8m ($488.4m) for 1994 but admitted "a setback" over its move into video games and computer software.

Pearson, which also owns the Financial Times, paid $462m last May for The Software Toolworks, the California interactive software company, now called Mindscape.

Yesterday Pearson said Mindscape made a £3.5m profit since purchase and its sales of video games cartridges had dropped by 65 per cent in the face of heavy marketing by Nintendo and Sega.

Mr Frank Barlow, Pearson managing director, said: "Obviously it's a setback. It's probably a year behind schedule." But he added that slowing video cartridge sales had been envisaged and that Mindscape was bought primarily because of its CD-ROM publishing expertise. Lord Blakenham, Pearson's chairman, described CD-ROMs as "an exciting, expanding, explosive market that we wish to be in".

Pearson shares fell 15p to 569p yesterday, although profits were at the top end of expectations. This was largely because of the Mindscape news.

Lord Blakenham said 1994, Pearson's first year as a pure media company, had been "outstanding". Profits had been lifted by a strong performance in the newspaper division and recent investments in television.

The flotation of British Sky Broadcasting, the satellite consortium in which Pearson holds a 14 per cent stake, contributed £57.6m to operating profits in 1994, from £6.9m in 1993. Thames Television, which cost £99m, made profits of £19m in its first full year in Pearson ownership.

Group operating profit rose 26 per cent to £272.4m. Sales fell 17 per cent to £1.55bn because of discontinued operations. Earnings per share rose by 50 per cent from 27p to 40.4p – from 27.9p to 34.1p on an adjusted basis. The dividend will rise by 15 per cent to 15p.

The company also warned that it would continue mixing organic growth with strategic acquisitions "where it sees a clear long-term potential, even though this sometimes involves a short-term dilution in earnings". There would also be higher development costs than in the past in "creating and packaging fresh content for tomorrow's media".

Pearson's information division increased profits by 41 per cent to £84.7m with the FT Group up 46 per cent to £51.2m. Education fell by 8 per cent to £51.2m largely because of the tough school and college market in the US. Investment banking (through its interest in the Lazard Houses) was down 17 per cent to £30.2m.

Entertainment increased profits by 108 per cent to £129.5m with television profits quadrupling to £69.2m, largely due to BSkyB.

Mr Richard Dale, media analyst of stockbrokers Smith New Court, forecasts pre-tax profits of £287m in 1995, taking into account a smaller contribution from the BSkyB stake.

Lazard Houses plan, Page 20

USAir shares soar after deal with pilots

By Tony Jackson in New York

Shares in USAir, the heavily loss-making US airline, jumped more than 20 per cent in early trading yesterday on news of an apparent breakthrough in talks with the company's pilots.

In a deal struck on Saturday, the pilots are thought to have accepted a pay cut of around 20 per cent in exchange for seats on the board and profit-sharing. USAir would not comment on the terms of the deal.

British Airways, which has a 24.6 per cent stake in USAir, refused to comment yesterday on the grounds that it had not received details. It is thought to remain opposed to employee representation on the USAir board.

USAir stressed yesterday that the agreement was tentative. It said "it is subject to the [pilot] union's internal process, and subject to deals being reached with our other three main unions. Then it has to go to the board, and ultimately the shareholders."

Initially, the unions had approached the company jointly with a deal similar to that agreed by the pilots. Early last week, USAir's management were in talks with all the unions in a Washington hotel. On Thursday, the chairman and president transferred to the Watergate hotel with the pilots. The deal was struck at 10am on Saturday.

The company said talks with the other unions would continue this week. It is thought the pilots have made their deal conditional on the other unions accepting similar cuts.

The company's declared goal is to secure a $500m cut in the wage bill, to be matched by $500m of non-wage cuts, of which $400m have already been announced.

Besides achieving savings, a resolution with the unions would free management to address the airline's other problems. One supplier to USAir said privately last week that it had been impossible to settle important supply agreements with the company, as top management were tied up in negotiations.

Two weeks ago Mr Warren Buffett, the US investor, wrote down the value of his investment in USAir and said he would leave the board, because he could see no early solution to the company's labour problems.

BA has not written down its holding, on the grounds that it cannot yet be sure the loss of value is permanent.

BCI to cut dividends after posting flat profits for year

By Andrew Hill in Milan

Banca Commerciale Italiana, the former state-controlled bank privatised slightly over a year ago, is cutting its dividends after a year of flat profits.

BCI yesterday announced a net profit for the parent company of L265.3bn ($154m) in the calendar year 1994, compared with L268.2bn in 1993, and a net consolidated profit of L329.4bn for the same period, against L301.2bn in the previous year.

The company said it was proposing a L125 dividend on ordinary shares, against L200 a share last year, and a dividend of L155 for each savings share, compared with L230 in 1993.

The cut in the payout is likely to upset new shareholders, who were also asked to subscribe to a large rights issue last year ahead of BCI's abortive attempt to buy a majority stake in Banco Ambrosiano Veneto in the autumn.

However, the bank said that because of the increase in the number of shares, the total amount it was proposing to pay in dividends was only slightly lower than in 1993 – L198bn, against L210bn.

BCI, like many of its rivals, found last year difficult, due to narrowing interest margins and difficult bond and share trading, compared with exceptionally favourable conditions in 1993. Net non-interest income at the parent company slipped to L1,443bn, for example, from L1,738bn in the previous year.

Customer loans also decreased by L3,688bn to L51,480bn as a result of the poor economic situation and total loans were down by L3,091bn to L89,572bn. Total operating income at the parent company was down by 8.9 per cent at L4,155bn.

BCI made no comment yesterday about what it intended to do with the cash raised last year through its rights issue. There has been widespread speculation that the group may bid for one of Italy's medium-sized banks, or even relaunch its attempt to take over Ambroveneto, which was defeated after Ambroveneto's shareholders rallied to its defence.

Benetton to increase payout

By Andrew Hill

Benetton, the Italian clothing group, has recommended an increase in its annual dividend in spite of flat profits. The group intends to pay a dividend of L400 a share for 1994, compared with L385 last year, although consolidated net profits were little changed at L210bn ($122m) against L208bn.

Only stringent cost control prevented a decline in operating income to L389bn from L408bn from having a greater impact on net profit, the company said.

Benetton has pursued an aggressive price-cutting policy since 1993 to combat a slump in demand. Last year, prices were cut by 8 per cent in Italy, and by an average of 13 per cent internationally. In 1994, it enabled Benetton to increase volumes and keep sales revenue stable at L2,788bn, compared with L2,751bn in 1993, but flattened profits.

However, shareholders are worried that Benetton may have reached a plateau in its exceptional growth since the group was formed 30 years ago, which has seen profit increases of between 12 and 24 per cent over the last four years.

Benetton said continuing efforts to cut costs and its investment in innovative manufacturing technology are expected to produce stable results in 1995 and "create the conditions for further growth in 1996 and beyond".

Benetton shareholders were unsettled at the end of last year when the family holding company, which controls the quoted clothing group, started to diversify into food retailing and motorway restaurants, and there were concerns about the impact of a high-profile row with disgruntled Benetton store-owners in Germany.

GEA advances 32% to DM99m

By Michael Lindemann in Bonn

GEA, the world's second largest maker of food processing equipment, yesterday said net profits in 1994 rose 32 per cent to DM99m ($70.2m), up from DM75m the year before. It expects a further "significant improvement" this year.

Dividends would remain unchanged at DM10 for ordinary shares and DM11 for preferential shares, the company said.

Earnings per share rose 28 per cent to DM115, from DM90 the year before, according to the German DVFA accounting standards.

Excluding new acquisitions, sales in 1994 fell 3 per cent to DM3.3bn, squeezed by Germany's worst post-war recession.

However, GEA said sales this year were expected to rise strongly as the company took advantage of its worldwide presence following several purchases in recent years.

Mr Otto Happel, the acting chief executive, said results would benefit from the integration of the new purchases, especially in the food processing division which represents 54 per cent of group sales. GEA hoped to raise its prices slightly this year following tough competition recently, Mr Happel said. He owns just over 50 per cent of the group.

In keeping with other companies which have announced results in recent weeks, GEA described the recent 3.8 per cent wage rise for the engineering industry as a considerable burden which would lead to further job losses.

Linde plans expansion into new sectors

By Christopher Parkes in Frankfurt

Linde, the industrial gases and engineering group, plans to use rising profits and the proceeds of an issue to fund expansion into new business sectors, Mr Hans Meinhardt, chairman, said yesterday.

Refusing to comment on suggestions that he had Caterpillar, the US heavy machinery manufacturer, in his sights, he hinted strongly that a US purchase was imminent.

Linde wanted to expand its business interests in east Asia and the US, he said. The most likely route in the US was via acquisition, he added.

Reviewing prospects for the financial year to the end of December, Mr Meinhardt said he expected profits to rise at least 10 per cent, although sales would increase only 4-5 per cent.

Earnings might be affected by exchange rate turbulence, notably in Europe, although the company was not greatly exposed to the US dollar, he added. It would be obliged to step up rationalisation efforts thanks to the "over-generous" 1995 pay award negotiated for the engineering industry.

Meanwhile, hard competition and the strength of the D-Mark meant there was no chance of increasing prices.

The value of new orders booked in the first two months of the current year rose 22 per cent to DM1.27bn ($907m), in spite of the apparent disadvantages faced by German companies. The fork lift trucks and hydraulics divisions reported a 34 per cent jump in demand and booked DM625.5m in new orders, while refrigeration technology could manage an increase of only 3.6 per cent.

Group turnover fell 42 per cent in the review period, although the company stressed the data were distorted by an unusually large receipt for plant construction booked in early 1994.

Excluding proceeds from the plant building division, which is still adversely affected by restructuring within the chemicals sector, group sales rose more than 16 per cent.

E Merck issues notice to rivals

The German drugs group prepares for belated entry on world stage

Now that E. Merck, the German pharmaceuticals company, has decided to plunge into the stock market – a move which many family-owned companies are still reluctant to make – it can start trying to catch up with some of its much bigger rivals.

For while its proposed flotation will be the biggest in post-war German history, the company barely makes it into the world's top 40 in terms of drugs sales.

Against the background of more than $60bn-worth of deal making in the world's drugs industries in the past two years, the DM2bn ($1.41m) share sale would be little more than a blip.

It is only the fifth biggest drugs company in Germany and sells an array of laboratory equipment and specialist chemicals.

Its relatively small size has put it at a disadvantage when compared with its bigger healthcare rivals. They can respond to the increasingly cost-conscious climate for drugs companies by engineering large mergers to create economies of scale.

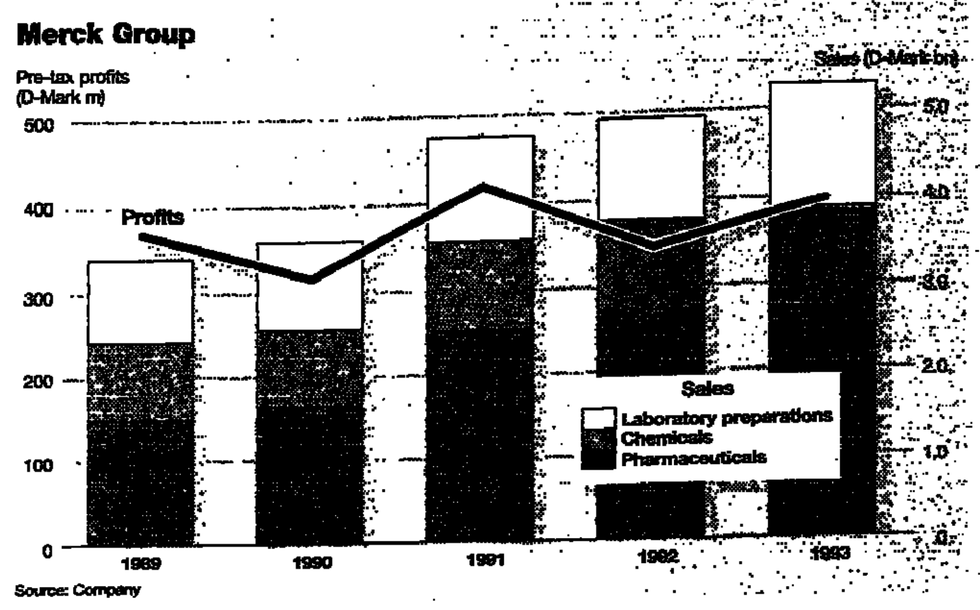
However, E Merck has not formed alliances with the top names of the drugs industry. These companies include Glaxo of the UK and its namesake, Merck, in the US, which was a subsidiary confiscated by the US government in 1917.

Top management in these companies have seen E. Merck as too broadly-based and with a poor record in research and development – many of its drugs have been licenced in from bigger companies.

E. Merck has made its own series of small acquisitions since 1992 and restructured to cut costs in 1993 to keep up. And it is that strategy which has stretched its financial resources and led to plans to float.

Yet it has had plenty of time to get organised. On one definition, it can date its existence back to 1668. It was then that Mr Jacob Merck took over the Engel-Apotheke (Angel Pharmacy) in Darmstadt, south of Frankfurt.

It was when Mr Heinrich Emanuel Merck decided to make plant-based medicines that the chemist's shop began developing into the company that now plans to sell more than DM2bn-worth of shares to German and foreign investors.



Source: Company

That was in 1827. Today, E. Merck is a company with worldwide chemical and pharmaceutical interests, employing 27,000 people and with a turnover which last year approached DM6bn.

Through a complex web of holding companies established for tax reasons, it has direct interests in five German, one French and one Swiss company. Through the Swiss company it has a 53 per cent stake in Merck AG, quoted on the Zurich stock exchange, which manages many of E. Merck's non-German businesses.

Prospective investors looking for guidance on E. Merck from the performance of Merck AG will be disappointed. Analysis by London merchant bank Schroders suggests that the Merck AG erratic performance has been the result of its hybrid nature, "the non-transparency of accounts" because only a subsidiary is quoted, the illiquidity of stock and the presence of better investments on the Zurich stock market's pharmaceuticals sector.

The company's key divisions are pharmaceuticals. Although this sector represents most of the company's business, sales are spread across many small products and not one is in the top 120 best-sellers in the world.

Good sellers range from Isovue, a contrast agent used to make body scans clearer, through to beta blockers, a relatively old class of heart treatments, to omeprazole, an ulcer treatment licenced in from Swedish company Astra which is one of the fastest growing drugs in the world.

It has businesses in vitamins, an area which high-technology drugs companies with the exception of Switzerland's Roche, have left to makers of nutritional products. Its control of the French company Lipha gives it a presence in the diabetes market.

Laboratory products have been lifted by six acquisitions since 1992. Products range from low-cost glassware to high powered analytical machinery. In 1993, the company reported lower sales.

Chemicals includes liquid crystal technology that is among the world's best, according to Schroders. It also has a 40 per cent joint venture in the field of process chemicals with the Japanese group Kanto Kagaku.

Schroders' analysis ends on a positive note, saying the company's spate of acquisitions and restructuring had given it a chance of faster growth. The company is optimistic about the outlook for 1995 after pre-tax profits rose 40 per cent last year to DM560m and cash flow 21 per cent to DM705m. Capital spending has been running at about DM400m annually. E. Merck kicked off this year by paying an estimated FFr1.5bn ($302m) for the 43 per cent stake held in Lipha, the pharmaceuticals company, by Rhône-Poulenc of France. It already owned the rest.

Early last summer, the company bought 51 per cent of Amerpharm, a Dutch-controlled generic drugs manufacturer. However, not all of its planned ventures have come off. Five years ago, it planned to merge its pharmaceuticals activities with those of Frankfurt-based Degussa, a chemicals and metals company which owns Asta Pharma. But the two companies decided the synergies would not be enough to justify the move.

E. Merck is making the share issue to enable its finances to keep pace with growth. It wants to strengthen its balance sheet after a series of acquisitions and also continue expanding. It spends about DM500m a year on research and development and intends to invest about DM200m in the next few years on modernising production of special organic chemicals in Darmstadt.

In spite of all this activity, the company has much work to do before the flotation, not least is the question over confusion with its US cousin.

Daniel Green and Andrew Fisher

THE DIFFERENCE BETWEEN BEING BULLISH ON AMERICA AND BULLISH ON THE WORLD

The economies of our world are coming together. Command economies are waning, capitalism is flourishing and strong regional trading alliances are being formed that promise to become stronger than the nations that comprise them.

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Lazard to combine equity underwriting in Europe

By Nicholas Denton

The three investment banks which make up the Lazard Houses are to combine their European equity underwriting capabilities and set up a new joint operation, Lazard Capital Markets.

Lazard Frères of Paris and New York, and Lazard Brothers of London, all have a common owner in Mr Michel David-Weill but they are a loose grouping. The formation of LCM, announced yesterday, is the most significant collaboration between the trio.

Lazard offices in Milan, Frankfurt, Singapore, Tokyo, and India are joint "three-house" operations. However, LCM will be the first such operation in a core area for the group and, with planned initial capitalisation , understood to *be for about $50m and 50 staff*, the largest.

London and Paris will be equal major partners in LCM and the unit will take over staff from their existing equity capital markets departments.

New York, although a junior partner, has already built up securities distribution in the US and has provided expertise.

Mr Damon Mezzacappa, head of capital markets in New York, will be executive chairman of LCM, and Mr Jeremy Sillem, formerly head of corporate finance in the US, chief executive.

The venture also represents a strengthened emphasis on securities distribution by an investment banking group which has tended to focus on advising companies on acquisitions.

Lazard Houses said closer collaboration on equity issues, which are increasingly international, was logical but did not necessarily set an example for *other activities. The banks said* they still prided themselves on their local identity in each of their three home markets.

Lazard Houses, while boosting its securities activities, do not intend to move into proprietary trading, when an investment bank takes a view on the market and risks its own capital. LCM intends to target all but the very largest roles, such as global co-ordinator on the privatisation of Deutsche Telekom.

Rival investment banks said the formation of LCM would not in itself make Lazard Houses a force in securities in Europe.

LCM will extend a track record of equity deals Lazard Houses has handled. Lazard Frères of Paris, one of the leading investment banks in France, has served as joint lead manager in the privatisation equity offerings of Renault, UAP and BNP.

Lazard Brothers of London advised British Sky Broadcasting on its £824m share issue last year.

Commerzbank income up 80%

By Andrew Fisher in Frankfurt

Commerzbank, the first of Germany's big commercial banks to report its 1994 results, yesterday said group net income had risen by 80 per cent to DM1.06bn ($736m) as a result of the sale of shareholdings in other companies.

Without the proceeds from asset sales, Commerzbank said operating results were "clearly lower" as a result of large provisions for lending risks and heavy write-downs on securities.

The bank sold its 15 per cent holding in Karstadt, Germany's biggest retailing concern, and reduced its stake in DBV Holding, the insurance company.

It announced a bonus payment of DM1.50 a share to shareholders to mark its 125th anniversary. This was expected and is in addition to a maintained DM12 dividend. Deutsche Bank, also founded in 1870, is making a DM3 bonus payment.

Commerzbank said it would put DM600m into revenue reserves and more than DM100m into hidden reserves to strengthen its balance sheet. Like its bigger rivals, Deutsche Bank and Dresdner Bank, it will announce full details of results for 1994 and outline prospects for 1995 this week.

At the 10-month stage, Commerzbank said group operating profits fell 27 per cent to DM660m as a result of weakness in world bond markets. Earnings from dealings on its own account slid by 88 per cent to DM56m. But the asset sales pushed pre-tax profits up 43 per cent to DM1.5bn.

The bank said shareholders would be asked in May to approve a rise of DM160m in authorised capital for capital raising at market prices without shareholders having to be offered subscription rights. This was made possible by last year's new securities law. The bank's shares closed at DM321.50, a rise of DM6.50.

Eli Lilly shares rise 4% after optimistic forecast for quarter

By Richard Waters
in New York

Eli Lilly, the US pharmaceuticals group, issued an optimistic forecast for first quarter earnings on the back of strong sales around the world, pushing its shares up by 4 per cent yesterday morning.

Mr James Cornelius, chief financial officer, said the company expected to report earnings per share of between $1.26 to $1.32 for the three months to the end of March. This compares with profits of $1.04 a share (after a 14 cents a share charge for a product recall) a year ago.

Most Wall Street analysts had expected earnings in the range of $1.10-$1.15. The company's shares jumped to $76¼ yesterday morning to a new 12-month high, a rise of $3 from last Friday.

The company did not provide specific sales figures for individual drugs for the latest three months. However, it pointed to three products which it said were "enjoying very strong growth" around the world.

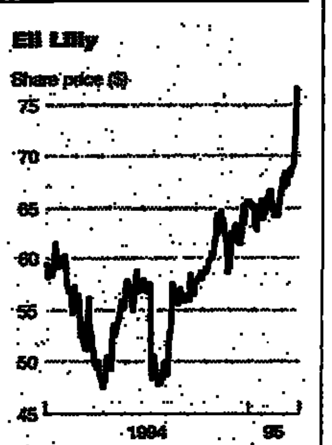
These were:

- Prozac, an anti-depressant, which had sales in 1994 of nearly $1.7bn, a rise of more than a third a year before
- Humulin, a human growth hormone, which recorded a 17 per cent increase in sales in 1994 to $665m and
- Axid, an anti-ulcer drug, whose sales of $487m last year were 22 per cent higher than in 1993.

The stronger sales will more than offset the interest costs and goodwill write-down stemming from the purchase of drugs distributor PCS, which was completed in the final quarter of 1994, Lilly said.

The acquisition of PCS had been widely expected to depress earnings comparisons at Lilly throughout this year.

The rebound in sales of Prozac in the latest period follows a decline in the final months of 1994. The company blamed this at the time on a downturn in purchases by wholesalers, who had earlier built up their inventories.



Source: FT Graphite

Salomon staff loss could hit earnings

By Maggie Urry in New York

Salomon Brothers, the investment bank, could lose some of its "most productive professionals," according to Mr Deryck Maughan, its chairman and chief executive.

"This could hurt earnings in the short run," Mr Maughan told shareholders of Salomon, the parent company, in the annual report.

He also warned "there is too much capacity in the financial services industry".

There would be further deregulation, he said, referring to the expected reform of the Glass-Steagall legislation which separates *banking from securities* business, and "some consolidation of banks and investment banks is inevitable".

Staff losses could result from the introduction of a new pay scheme last October which would cut the salaries of managing directors in the group's client-driven business to "a third of what they received in 1994 and well below market levels," Mr Maughan said.

The scheme, which caused controversy when announced, would liken Salomon's to a partnership with the managing directors' taking 40 per cent of the profits of the business once they had risen above a threshold return on equity.

In the report, Mr Robert Denham, chairman and chief executive of the group said: "Many questions have been raised about this system both internally and externally.

"Salomon Brothers has lost some managing directors and will lose others who are concerned that they many not be compensated adequately in the short run". He said those who stayed would find "it offers many advantages for the long run".

Mr Denham's letter is a *mea culpa* after a year when Salomon lost $831m pre-tax.

He opened: "Your company's 1994 results were awful" and said "every non-comatose shareholder must be wondering whether management understands the business situation of Salomon Brothers".

He added that 1995 would be a critical year for Salomon Brothers.

Mr Denham said the group could sell all or part of its Phibro USA oil business, which made a profit in 1994 for the first time since 1990.

He hinted that Salomon could sell The Mortgage Corporation, its UK housing finance business, saying that given improved conditions there Salomon would consider "alternative strategies to maximise the value to shareholders" of its investment.

Quiet revolution at Bata Shoe

The paternalistic mould is being broken, writes **Bernard Simon**

Mr Stanley Heath summoned about 40 of his top managers from around the world to Miami last month to relay a polite but firm message: it was time to start pulling together as a team.

Both the meeting and the message marked a break from the past at Bata Shoe Organisation, the hitherto secretive, family-owned company which is the world's biggest footwear manufacturer.

Mr Heath, aged 56, has launched a quiet but determined revolution since last September, when he became the first outsider to move into the chief executive's office at Bata's headquarters in suburban Toronto.

Bata owes its growth over the past five decades largely to Mr Tom Bata, who transplanted the family shoe business *from Czechoslovakia to* Canada in the early 1930s before the Nazi occupation.

Since then, it has expanded into 60 countries. Bata claims to sell more than 1m shoes a day from 65 factories and 6,300 retail stores. Its businesses range from the franchise for Nike sneakers in Chile to the distribution of Adidas shoes in India, where it has operated for more than 50 years and now owns more than 1,200 shops.

But Bata still bears many hallmarks of a family business. In keeping with its low profile, it has never disclosed revenues or profits. Even senior managers are kept in the dark about many aspects of the company's performance.

A paternalistic management style has permeated the company for decades. The Bata family demanded the absolute loyalty of trusted local managers, many of whom were plucked from Bata operations, initially in Czechoslovakia, and later from the Netherlands, the UK and Italy.

According to Mr Heath, "they were encouraged to run their own show, and the level of commitment and loyalty was so huge that the family could always depend on them".

In many cases, the most rugged individualists still run the strongest subsidiaries.

Mr Heath, however, wants managers at all levels to broaden their view of the business by sharing more of their ideas and information with colleagues in other parts of the world.

If he has his way, products will cross national boundaries and Bata will take its place among such brand-name powerhouses as Procter & Gamble and Unilever.

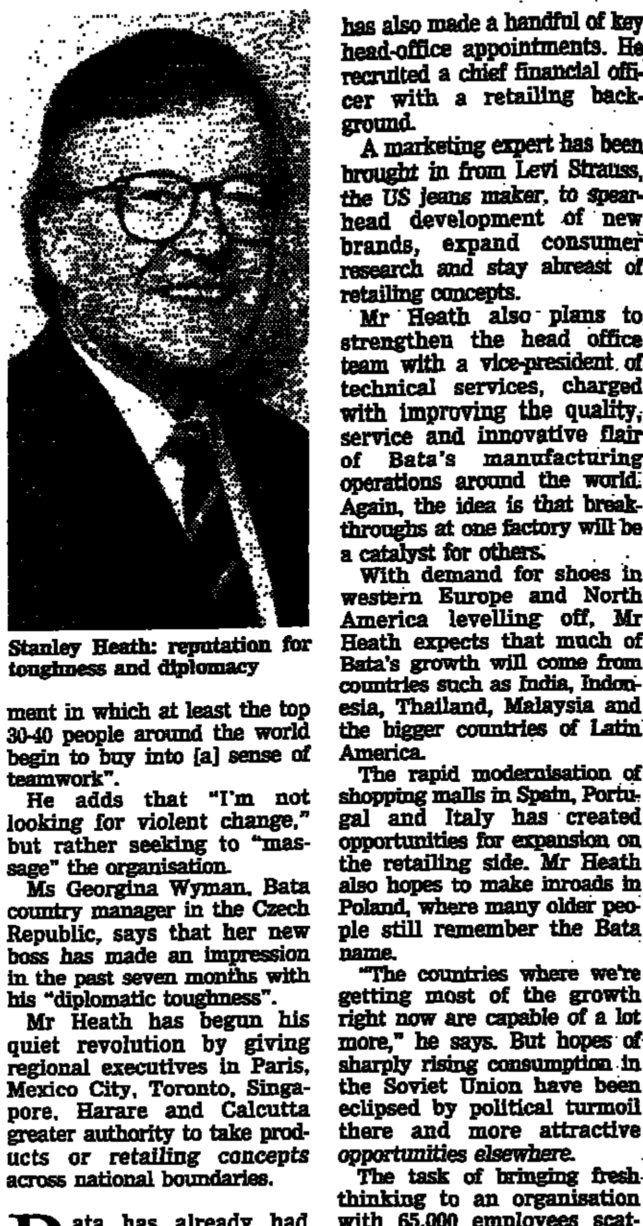
Mr Heath's appointment last September coincided with Mr Bata's 80th birthday. The family patriarch still travels the world as the company's chief ambassador. He was in South Africa recently, looking at the feasibility of Bata rebuilding the sizeable business it distanced itself from during the years when sanctions were in *place*.

He also spends a good deal of time in the Czech Republic, where Bata has reclaimed some of the family assets – including its flagship shoe store on Wenceslas Square in Prague – which were confiscated by the communists. Bata has also opened a factory not far from the family's home town of Zlin.

Mr Bata's son, Tom Bata Jr, who was educated at Harvard but has a reputation as a less forceful manager than his father, also relinquished most of his executive duties last year to step into a more ambassadorial role.

The Batas have distanced themselves from the business in other ways too. Mr *Heath* reports to the board of the main holding company, which is dominated by outsiders. The chairman is Mr Frans van den Hoven, former chairman of Unilever, and its members include Mr Carl Hahn, retired head of Volkswagen.

Mr Heath, a UK-born Canadian who previously headed the Latin American food operations of RJR Nabisco, the US tobacco and consumer products group, says he is now "trying to create an environment in which at least the top 30-40 people around the world begin to buy into [a] sense of teamwork".


Stanley Heath: reputation for toughness and diplomacy

He adds that "I'm not looking for violent change," but rather seeking to "massage" the organisation.

Ms Georgina Wyman, Bata country manager in the Czech Republic, says that her new boss has made an impression in the past seven months with his "diplomatic toughness".

Mr Heath has begun his quiet revolution by giving regional executives in Paris, Mexico City, Toronto, Singapore, Harare and Calcutta greater authority to take products or *retailing concepts* across national boundaries.

Bata has already had some success with Bubblegummers, a children's shoe brand. But Mr Heath says he wants "to push that a little bit harder to see whether Bata, as well as being in manufacturing and a first-class retailer, could create some distinctive brands that we could sell to third parties".

Since his arrival, Mr Heath has also made a handful of key head-office appointments. He recruited a chief financial officer with a retailing background.

A marketing expert has been brought in from Levi Strauss, the US jeans maker, to spearhead development of new brands, expand consumer research and stay abreast of retailing concepts.

Mr Heath also plans to strengthen the head office team with a vice-president of technical services, charged with improving the quality, service and innovative flair of Bata's manufacturing operations around the world. Again, the idea is that breakthroughs at one factory will be a catalyst for others.

With demand for shoes in western Europe and North America levelling off, Mr Heath expects that much of Bata's growth will come from countries such as India, Indonesia, Thailand, Malaysia and the bigger countries of Latin America.

The rapid modernisation of shopping malls in Spain, Portugal and Italy has created opportunities for expansion on the retailing side. Mr Heath also hopes to make inroads in Poland, where many older people still remember the Bata name.

"The countries where we're getting most of the growth right now are capable of a lot more," he says. But hopes of sharply rising consumption in the Soviet Union have been eclipsed by political turmoil there and more attractive *opportunities elsewhere*.

The task of bringing fresh thinking to an organisation with 65,000 employees scattered across the world, including many remote factories and shops, is likely to test Mr Heath's reputed toughness as well as his diplomatic skills.

He appears to be girding himself for more vigorous massaging. "We've kicked off this process of team building," he says.

"What happens next is going to be very important."

California health group in takeover talks

By Richard Waters

WellPoint Health Networks, one of California's leading managed care groups, said it was discussing an all-stock takeover of another healthcare group, Health Systems International, which yesterday valued the company at $1.9bn.

If completed, the deal will be one of the biggest yet amid the consolidation in the managed care industry, a field in which California has led the rest of the US.

Managed care companies provide healthcare to their members under a range of plans which are intended to lower overall costs.

These range from health maintenance organisations (HMOs), whose patients are required to use certain hospitals or drugs specified by a company, to looser preferred provider organisations (PPOs.) which allow patients access to a wider group of healthcare providers.

WellPoint's move marks a rejection of a number of buy-out overtures made to it in recent weeks.

One, from Blue Shield of California, a non-profitmaking organisation, is reported to have valued the group at as much as $45 a share, almost 50 per cent higher than its closing price last Friday.

WellPoint's shares rose by $4⅛ yesterday morning, to $35¼, on hopes that the company may yet be sold to Blue Shield or another bidder.

However, with 80 per cent of its shares in the hands of Blue Cross of California, a non-profitmaking organisation unrelated to Blue Shield, it seemed unlikely that the company would be forced to succumb to a hostile bid.

Under the deal announced yesterday, WellPoint would give Health System's shareholders 1.09 of a share of its own stock for each share they hold. WellPoint went public during 1993, providing it with a new currency to use in takeovers.

As part of the transaction announced yesterday, WellPoint said it would receive $1.2bn in cash under a recapitalisation plan.

Health System's shares rose $1⅛ yesterday morning, to $32½.

WellPoint and its majority shareholder said the deal they were proposing "offers distinct advantages in terms of long-term stockholder value, strategic fit, operational synergies, and probability of closing".

Polish bank lifts profits sharply

By Christopher Bobinski
in Warsaw

Poland's listed Export Development Bank (BRE), which lifted net profits to 53.4m zlotys ($22.7m) last year, is to pay a dividend of 1 zloty per share, amounting to 12.5m zlotys, a shareholders meeting decided.

The bank, which is 21 per cent owned by Commerzbank, recorded 16.5m zlotys net profit for 1993 and paid 3.8m zlotys as a dividend.

BRE specialises in corporate foreign trade financing and handled 8 per cent of Poland's foreign trade turnover last year.

Commerzbank went into the BRE earlier this year by purchasing the bank's shares on the Warsaw Stock Exchange as well as taking up a new share issue worth 85m zlotys.

Mr Krzysztof Szwarc, BRE's chief executive, said last year's results were helped by an improved loan portfolio which resulted in lower provisions against bad debts. In 1993 the bank set aside 60.1m zlotys in reserves against poor debts while last year the sum was reduced to 30.5m zlotys.

The bank's profits came on a balance sheet worth 1.4bn zlotys at the end of last year, representing a 55 per cent increase on the previous year.

Bank of New York in $140m deal

Bank of New York is to acquire Putnam Trust of Greenwich in a deal valued at about $140m, AP-DJ reports from New York.

Shareholders of Putnam Trust will receive 1.312 Bank of New York common shares for each Putnam Trust share. Putnam Trust has about 3.3m shares outstanding, which brings the total value of the transaction to about $140m, based on Bank of New York's closing price on Friday of $32.

The transaction, expected to close in the second half of 1995, is subject to Putnam Trust shareholder as well as regulatory approval. Bank of New York plans to repurchase shares of its common stock in an amount equal to the number of shares it will issue in the transaction.

Bank of New York said the acquisition was a "natural extension of our suburban branch network and enhances our ability to expand our private banking as well as our small business and professional lending activities".

Anacomp files restated results

Anacomp, the US computer products group, is filing with the Securities and Exchange Commission an amendment to its report for the first quarter ended December 31.

It has restated the results to a loss of $259,000, or one cent a share, compared with previously reported net income of $896,000, or two cents a share, AP-DJ reports from Atlanta.

Anacomp said the restatement was due to a change in the way the company recognises revenue for its XFP COM System sales.

Dylex delays financial restructuring for a month

By Robert Gibbens
in Montreal

Dylex, Canada's biggest speciality clothing chain, has delayed its financial restructuring by one month to complete plans for a capital infusion.

The group, which is in court protection from creditors, owes more than C$350m (US$249m). It has already closed 200 of its 738 stores across Canada and needs C$40m of new equity and a further C$50m in operating credit to allow it to continue.

Creditors will now vote on its restructuring on April 28, instead of March 29.

Proposals for a capital infusion are meanwhile being considered.

The proposals come from River Road Canada, an investment fund which is Dylex's biggest shareholder, the founding Posluns family, a group led by RBC Dominion Securities, and several US funds.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.03.95: Pool purchase price £/MWh	Final Prices for Trading on 28.02.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.14	8.12	8.12
0100	8.12	8.17	8.17
0130	8.79	8.77	8.77
0200	13.50	8.77	8.77
0230	8.03	8.19	8.19
0300	13.50	8.18	8.18
0330	9.03	8.18	8.18
0400	13.50	8.14	8.14
0430	8.69	8.12	8.12
0500	8.79	8.10	8.10
0530	15.79	8.19	8.19
0600	8.79	8.16	8.16
0630	8.80	8.12	8.12
0700	15.80	8.82	8.82
0730	8.50	8.04	8.03
0800	15.32	8.06	8.06
0830	17.45	8.12	8.74
0900	18.86	10.49	11.15
0930	19.11	11.09	11.80
1000	19.15	15.95	16.68
1030	18.84	15.92	16.64
1100	18.94	11.61	12.32
1130	20.15	11.61	12.32
1200	20.83	11.63	12.34
1230	19.96	11.58	12.28
1300	17.61	11.51	12.18
1330	14.59	10.87	11.51
1400	10.27	10.35	10.97
1430	23.37	8.09	8.69
1500	9.69	8.03	8.68
1530	16.64	8.92	8.92
1600	14.77	8.14	8.75
1630	18.06	8.47	9.20
1700	16.56	14.61	15.67
1730	16.12	17.56	19.06
1800	14.24	27.86	30.80
1830	13.85	33.58	34.09
1900	22.62	29.72	32.94
1930	8.09	24.42	26.33
2000	10.54	13.96	14.79
2030	11.58	8.09	8.69
2100	11.57	8.05	8.64
2130	11.44	8.82	8.82
2200	10.38	8.79	8.79
2230	22.50	8.12	8.12
2300	8.90	8.11	8.11
2330	15.79	8.11	8.11
2400	8.60	8.11	8.11

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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Citic Pacific on target with 35% increase

By Simon Holberton in Hong Kong

Citic Pacific, the Hong Kong arm of the large mainland conglomerate China International Trade and Investment Corporation, yesterday unveiled annual profits in line with expectations. There was a 36 per cent rise in net profit, to HK$2.57bn (US$332.4m) from HK$1.88bn, in the year to the end of December.

Citic attributed the improvement mainly to its share of the profits from a large Hong Kong residential development – Discovery Bay – in which it took a 50 per cent interest a year ago.

Directors declared a final dividend of 35 HK cents, making 48 cents for the year – up 21 per cent. This was in line with earnings per share, which rose 22.36 per cent to HK$1.32.

Profits were struck on a 12.45 per cent rise in turnover to HK$12.1bn. Net interest expenses rose to HK$122m from HK$18m a year earlier, but company officials said gearing remained at acceptable levels. Mr Larry Yung, chairman, said Citic would continue to concentrate its efforts in Hong Kong and China, where the group had expertise. He said the company would pay particular attention to infrastructure development in China.

Mr Yung said there would be no change to the company's 'growth through acquisition' policy. It "will be constantly looking for acquisitions that meet its operational and return criteria", he said.

Citic Pacific is the holder of the Chinese government's interests in Hong Kong's aviation and telecommunications sectors. It is also a big investor in mainland China power projects.

The one large business it operates itself – the Da Chong Hong motor car trading business – came under strong competitive pressures last year, both in Hong Kong and China. Mr Yung said turnover and operating profits were weak.

"The outlook for 1995 is not encouraging, and management is attempting to increase the profit margin by reducing operating costs," he said.

The business is, however, providing opportunities for property redevelopment. Da Chong's old vehicle service centre in the up and coming district of Quarry Bay is being redeveloped into a 370,00 sq ft office tower.

Mr Yung said Citic last year invited the Independent Commission Against Corruption, Hong Kong's anti-corruption watch dog, to advise on a code of conduct for its employees. The company employs 10,000 staff, of which 5,700 work in China and 4,100 in Hong Kong.

It has also established an audit committee of independent non-executive directors.

WHERE CITIC'S PROFITS COME FROM

	1994 (%)	1993 (%)
Aviation	20	23
Telecommunications	29	29
Power generation	4	2
Bridges & tunnels	1	0
Trading & distribution	14	19
Consumer credit	2	2
Property	24	13
Others	6	12

Source: Company reports

BAT studies validity of ITC power resolution

By Mark Nicholson in New Delhi

BAT Industries, the UK tobacco and financial services group, said yesterday it was "examining the legal validity" of a resolution passed on a show of hands at Friday's extraordinary general meeting of ITC, the Indian group in which it holds a 31.5 per cent stake.

The resolution approved in principle an amendment to ITC's articles permitting it to enter India's power sector, which is being privatised. However, Mr Norman Davis, BAT's nominee on the ITC board, who was at the meeting in Calcutta, complained the vote was pushed through the raucous assembly without his being given a chance to intervene on behalf of BAT. He questioned the resolution's legality.

A second resolution, enabling ITC actually to "commence" power activities, was put to a full and secret shareholders' ballot, which BAT blocked, using its 31.5 per cent stake. Under Indian corporate law, the move required 75 per cent shareholder approval. It won just 35.72 per cent.

BAT had said before the egm it would oppose ITC's entry into the power sector while Mr Krishan Lal Chugh remained the Indian company's chairman. BAT says it has "lost confidence and trust" in Mr Chugh.

Boral in US move

Boral, the Australian building products and energy group, yesterday said it was buying Bickerstaff Clay Products, the fifth largest clay brick maker in the US, agencies report. The price was not disclosed, but is understood to be about US$100m. The US company has sales of about $70m.

Americans find China a heady brew

US brewers are raising the stakes for market share, writes **Tony Walker**

Anheuser-Busch and Miller Brewing are spearheading a renewed US assault on China's beer market, which has become the focus of intense competition among international brewers.

Anheuser-Busch, whose Budweiser brand is America's biggest-selling beer, expects to announce soon a significant upgrading of its relationship with Tsingtao brewery, involving an increase in equity in China's leading brewer.

Mr Ray Goff, senior vice-president of Anheuser-Busch for Asia-Pacific, said the company was planning to spend up to $200m on a "new state of the art" brewery in partnership with Tsingtao.

The investment would increase the St. Louis-based company's stake in Tsingtao from the 5 per cent acquired in 1993 to as much as 20 per cent, depending on the outcome of current negotiations.

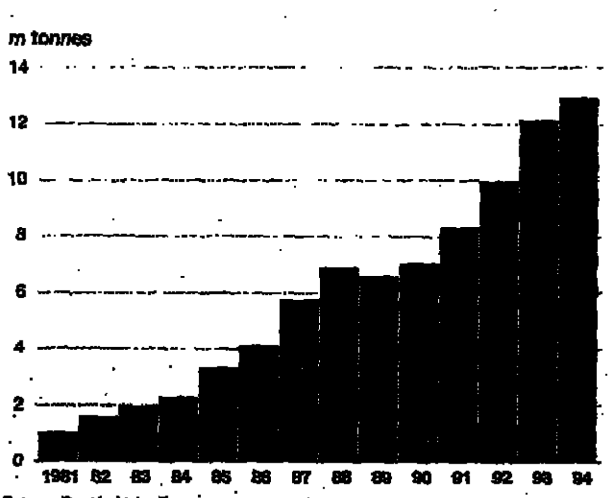
This development should please international investors in Tsingtao, which was floated on the Hong Kong stock exchange in 1993 amid much fanfare, but whose performance since has fallen well short of expectations.

Ms Helena Coles, an Asian beverages specialist with Kleinwort Benson in Hong Kong, said Tsingtao had "grossly underperformed" on promises outlined in its prospectus for the Hong Kong share listing. This had been reflected in the slide in its share price.

The company had raised Yn1.6bn ($190m) in the Hong Kong market, with promises of increasing capacity by 700,000 tonnes at its plant at Qingdao, south-east of Beijing, but had not lived up to those undertakings.

"It has always been a toss-up how Tsingtao would fare in a competitive environment," Ms Coles said. "Tsingtao was brought up in a command economy. It is production-oriented and not geared to the market."

Beer production in China



Source: Beer Industry Express

Anheuser-Busch aims to double Tsingtao's capacity from the present 3.5m hectolitres (one hectolitre equals one-tenth of a tonne) in an effort to capture a bigger market share. Tsingtao is easily China's biggest-selling beer, but its share of a rapidly-growing market hovers around 2.5 per cent.

"The market is very fragmented, with 850 brewers across China," said Mr Goff. "Even though Tsingtao is the leader, it only has 2.5 per cent of the market, so there is no clear-cut winner like in a mature market."

"What appeals about Tsingtao," he said, "is that it is a brand that can be parlayed into a national brand. We think Tsingtao has a chance to be that brand."

China's beer market is tipped to grow from around 13m tonnes in 1994 to 22m tonnes in 1998, challenging America as the world's largest. In the past year, it has overtaken Germany to become the world's second-biggest market, accounting for 11 per cent of international consumption in 1994.

It is expected to account for about half the world's beer consumption growth to the year 2000. Per-capita beer consumption in China has risen 30 per cent per year since 1990, and demand is expected to exceed supply beyond the year 2000. In addition, 72 per cent of China's population is below 35, and this group accounts for most of the growth in demand, according to a study commissioned by Asian Strategic Investments Corporation (Asimco).

Asimco, a US investment firm, recently announced that together with Miller it was investing $100m to acquire a 60 per cent interest in Beijing's Five-Star Brewery and its largest licensee, Five Star Beer Three Ring.

Anheuser-Busch also announced last month it had spent $53m on an 80 per cent stake in a brewery in Wuhan, the central Chinese city. The brewery was established as a joint venture in the mid-1980s between local interests and German investors to produce the Steinbrau brand.

Mr Goff said Anheuser-Busch planned to increase production at the re-named Budweiser Wuhan International Brewing Co to 1m hectolitres from the present 600,000 by the end of the year. This would involve further investment of about $20m. Eventually, the American company hopes to increase production there to 4m hectolitres, producing equal quantities of Steinbrau and Budweiser for the mid-range and premium markets, respectively.

Asimco's plans are hardly less ambitious. It wants to turn Five Star Beer, China's second-largest brewery group, into a challenger to Tsingtao with a quadrupling of production volume by 1998. Present production at the Beijing facilities is about 2m hectolitres annually.

Mr Jack Perkowski, chairman of Asimco, said China was "not unlike" the fragmented US beer market in the 1950s, with the same opportunities for the bigger players to grab large segments of the business. Foreign brewers are also being propelled into China because their home markets offer little prospect of growth.

Asimco had involved Miller, the world's second-largest beer company, on both a technical and equity basis with a share of "somewhat less than 10 per cent". Miller will help to upgrade the Five Star operations, and also provide assistance in marketing and distribution. Miller products would be produced under licence in Beijing.

However, both Anheuser-Busch and Miller face strenuous competition. According to China's ministry of light industry, more than 30 joint venture partnerships have been established, and other deals are pending.

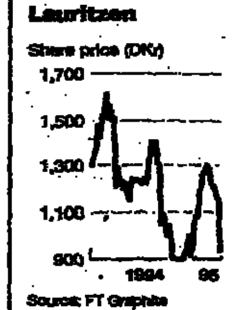
Foreign players include Foster's of Australia, with ventures in Guangzhou, Shanghai and Tianjin; Fraser and Neave of Singapore; Heineken of Holland; San Miguel of the Philippines; Becks of Germany; Kirin of Japan, Carlsberg of Denmark, Pabst Brewing of the US; and Lion Nathan of New Zealand – to name a few.

The list seems certain to get longer.

NEWS DIGEST

Lauritzen shares tumble after payout omitted

Lauritzen



Source: FT Graphite

The price of shares in Lauritzen, the Danish shipping, shipbuilding and manufacturing group, fell sharply yesterday following the company's announcement that it would be omitting a dividend for the second successive year, writes Hilary Barnes in Copenhagen. The company's announcement, along with news that it had make a loss of DKr104m ($18.53m) after minority interests in 1994 compared with a 1993 loss of DKr171m, was made late on Friday after the stock market closed. Yesterday, the share price ended at DKr910 from Friday's close of DKr1,140.

Lauritzen said 1994 turnover increased to DKr14.91bn from DKr14.16bn. After net financial items the loss was reduced to DKr226m from DKr255m in 1993. There was a group profit of DKr36m after tax and before minorities against a loss of DKr149m in 1993.

Two of the group's main subsidiaries contributed to what the board described as "an extremely poor year". The J. Lauritzen Shipping Company, which is a significant force in refrigerated cargo vessels and also operates a large fleet of small gas carriers, made a loss of DKr346m on turnover of DKr3.19bn. The loss was attributed to the high cost of Danish personnel, low freight rates in a weak market and the depreciating dollar.

Danyard, the group's shipyard, made a DKr177m loss on turnover of DKr1.38bn. The yard was forced to switch from production of refrigerated cargo vessels in 1993 after the EU introduced quota restrictions on imports of bananas from South and Central America.

Strike cuts Pick 'n Pay earnings 21.9%

Pick 'n Pay, the South African supermarket chain, has reported a 21.9 per cent drop in attributable earnings for the year to February to R79.2m ($21.93m), down from R101.4m previously, writes Mark Suzman in Johannesburg.

The fall was largely due to a strike in the latter part of the year after which the company was forced to cut gross margins in an attempt to win back customers.

In spite of this, as a result of the acquisition of the remaining 50 per cent of the Score retail group, turnover rose by 18 per cent to R7.92bn from R6.69bn previously. The write-off of goodwill for the acquisition also resulted in a R12.1m extraordinary item.

Meanwhile, trading income of R113.1m was boosted by R3.8m in investment income and R22.8m in net interest received to bring total pre-tax income to R139.7m. However, this was still 16.3 per cent down on last year's R166.9m.

The final dividend was set at 24 cents a share, down from 28.5 cents previously and lowering the final dividend to 31 cents, well below last year's 36.75 cents.

Oerlikon-Bührle ahead 19% but passes dividend

Oerlikon-Bührle, the weapons, engineering and retailing group, said its net income jumped 19 per cent to SFr75m ($64.04m) last year, writes Ian Rodger in Zurich.

However, the board was not recommending a dividend payment even though the group had sufficient reserves to pay a dividend for the first time since 1985.

Directors said "substantial investments" were necessary to secure future progress.

Bührle has already reported a 28 per cent jump in 1994 sales to SFr3.8bn, mainly because of its DM100m ($70.78m) acquisition last October of the Leybold vacuum technology business. Excluding Leybold, which was consolidated retroactively for the full year, sales were up 1 per cent in local currencies.

The group said the Leybold acquisition was also largely responsible for the 32 per cent jump in operating earnings to SFr194m.

Indonesian cigarette maker doubles profit

Hanjaya Mandala Sampoerna, one of Indonesia's leading clove cigarette manufacturers, said its audited net profit in the year ended December 1994 more than doubled on a year earlier as the company continued to take an increasingly large market share from its main competitor, Gudang Garam, writes Manuela Saragosa in Jakarta.

HM Sampoerna's net profit in 1994 rose to Rp243bn ($108m) from Rp105bn in 1993 on net sales which rose 68 per cent to Rp1,350bn. The company said HM Sampoerna's "A" Mild brand of machine-rolled clove cigarettes was taking market share away from Gudang Garam, even though Gudang Garam's clove cigarettes are cheaper. HM Sampoerna plans to continue expanding its share of the Indonesian market for clove cigarettes and predicts 1995 net profit will total Rp341bn.

Improved profit margins are also boosting earnings. Operating income rose to Rp381bn from Rp187bn a year earlier while operating expenses showed a more moderate increase to Rp151bn from Rp112bn in 1993.

Renong posts midway advance to M$144m

Renong, the Malaysian holding company that heads one of the country's biggest conglomerates, has announced pre-tax profits of M$144m (US$58.67m) for the six months to December 31 1994, a 34 per cent increase on the year-ago period, writes Kieran Cooke in Kuala Lumpur.

United Engineers (UEM), the listed company which groups Renong's construction and engineering interests, announced pre-tax profits over the six months of M$309m, a 31 per cent rise on the previous period. Turnover rose 39 per cent to M$926m.

UEM is involved in many of Malaysia's biggest infrastructure projects, including facilities for the 1998 Commonwealth Games in Kuala Lumpur and construction of a new town in the southern state of Johor.

Until three years ago Renong was directly owned by the United Malays National Organisation (UMNO), Malaysia's dominant political party headed by Dr Mahathir Mohamad, the prime minister. Renong is now controlled by investors closely allied to UMNO leaders.

Renong is made up of 13 listed companies with a combined market worth of about M$25bn. As well and construction and engineering the group is involved in hotels, financial services, telecommunications and the power sector.

NTT to float subsidiary

Nippon Telegraph and Telephone, Japan's leading telecommunications operator, will float NTT Data Communications Systems, its fully-owned subsidiary, next month, writes Emiko Terazono in Tokyo.

The Tokyo Stock Exchange yesterday filed for approval of the ministry of finance of the company's listing on April 26. The company will float 20,000 new shares and 47,000 shares currently held by NTT for public subscriptions before the listing.

Some investors fear that the listing could drain liquidity from the stock market as was the case with the flotation of Japan Tobacco last year.

Meanwhile, officials at the ministry of posts and telecommunications yesterday said its advisory panel discussing the division of NTT's operations will release its recommendations within a year.

Holdains rises 33% in first six months

By Mark Suzman in Johannesburg

Holdains, the paper and packaging company controlled by South African conglomerate Malbak, has announced a 33 per cent rise in operating income for the six months to end-February to R92.7m ($25.75m), from R69.7m for the same period a year ago.

Turnover rose 20 per cent on the back of improved volumes to R1,43bn, from R1.19bn, while attributable earnings increased 28 per cent to R51.3m from R40.1m, equivalent to earnings a share of 173.8 cents, up from 137.6 cents last year in spite of a higher number of shares in issue. The interim dividend was increased to 57 cents from 51 cents.

Mr Richard Bruyns, chief executive, said the results stemmed from improved operating efficiencies and increased market share. "Consumer confidence revived as the economic recovery gained momentum," he said. "Greatly improved volumes coupled with the fact that our businesses are operating more efficiently has led to a recovery in operating margins, although they are still some way off what we consider satisfactory."

The results incorporate Carlton Paper as a proportionately consolidated joint venture with Kimberly-Clark rather than a consolidated subsidiary due to taking out minorities in the former company. The prior year figures have been restated to take account of this change.

Gain of NKr500m for Kvaerner in ships sale

By Karen Fossli in Oslo

Kvaerner, the Norwegian shipbuilding and oil and gas technology group, will make a one-off gain of NKr500m ($79.49m) from the sale of its gas carrier fleet to Havtor Shipping. The profit will be booked in the second quarter of the current fiscal year, Kvaerner said.

In exchange Kvaerner will assume a near-45 per cent interest in Havtor Shipping, with which it has co-operated for seven years in the Havtor shipping pool, making it Havtor's largest shareholder.

Shipbrokers estimate that the NKr3.6bn tag being put on the 26 vessels in the deal – first announced in mid-February – is about NKr1bn above their book value.

Further details announced yesterday show that Havtor will take on an estimated NKr800m of Kvaerner external debts, and Kvaerner will receive interest-bearing receivables of NKr1.2bn from Havtor.

The deal will be dated from April 1, subject to approval by an extraordinary general meeting of Havtor shareholders on April 24 and by Kvaerner's board.

Havtor will become one of the world's leading operators of gas carriers; after acquiring the Kvaerner interests, it will wholly or partly control 51 vessels, including 45 gas carriers.

Shares fall by 22p after the third warning in the past 12 months

Inchcape hit by strong yen

By David Wighton

Shares in Inchcape, which have more than halved since the start of 1994, fell a further 22p to 278p yesterday, as the international marketing and services group issued its third profits warning in the past 12 months.

The company said profits for the first half of 1995 would be "significantly below" last year as it announced 1994 profits down from £271.4m to £228.4m ($375m). Analysts cut their 1995 forecasts to between £180m and £205m from as high as £250m.

Inchcape, one of the world's largest independent car importers, has been hit hard by the rise in the yen and the problems of Japanese motor manufacturers in Europe.

Mr Charles Mackay, chief executive, said that car and currency markets remained very volatile which made it difficult to predict the outcome for this year. "We are very confident about the medium and longer term of Inchcape but we can't be at all complacent about the short-term."

Inchcape's profits from the distribution of Japanese marques, mainly Toyota and Mazda, tumbled by £45m last year leaving total motor profits down by £30.7m at £148m.

But Inchcape's other businesses performed well and excluding discontinued activities and the effect of currency movements, group profits were down just 1 per cent.

Some analysts questioned whether Inchcape had reacted sternly enough to the downturn in its Toyota business, but the company pointed to cost cutting, such as a 20 per cent staff reduction in its Hong Kong operation, and Mr Mackay stressed that it must not damage its long-term prospects. "The Japanese will be back," he said.

Mr Mackay said the recent promotion of Mr Philip Cushing to the new post of managing director would give him more time to concentrate on strategic issues, including reducing the group's exposure to the yen.

He dismissed suggestions that Toyota, which has a 4.7 per cent stake, was critical of its performance.

Sir David Plastow, chairman, described press rumours of boardroom disagreements as "absolute rubbish".

Earnings per share fell to 26.8p (33.9p) but a maintained final dividend of 9p gives a total of 15p (14.8p) which puts the shares on a yield of 6.7 per cent.

Charles Mackay: confident on medium and longer term

T&N fights further US asbestos lawsuit

By Tim Burt

The legal battle between Chase Manhattan and T&N, the UK engineering group, has gathered pace with the appointment of a new trial judge to consider the bank's $185m lawsuit over asbestos contamination at its New York headquarters.

Chase claims T&N, which as Turner and Newall was formerly Britain's largest asbestos producer, knew the risks of asbestos when it supplied the material during construction of Chase Plaza near Wall Street in the late 1950s.

The US bank said the case was likely to come to court this summer, when it would be heard by Judge John Koeltl.

Judge Koeltl's appointment has filled a vacuum left by the recent death of Judge Vincent Broderick, who had been due to handle the lawsuit.

Mr Michael O'Connor, senior associate counsel and vice president of Chase Manhattan, said the bank now expected proceedings to accelerate and was seeking a meeting to present its pre-trial evidence to the new judge.

If it wins the case, Chase predicted it would prompt potentially larger claims by New York's Port Authority over asbestos used at the World Trade Center and LaGuardia airport.

"Our evidence shows T&N was aware of the hazards long ago. By proving liability, it would make it impossible to defend other cases," said Mr O'Connor.

T&N has denied liability and refused to comment yesterday. It has turned over thousands of internal documents to Chase lawyers.

A similar $75m case brought by Prudential Insurance of America was dismissed in 1992 and the UK group is said to be of confident of victory again.

LEX COMMENT

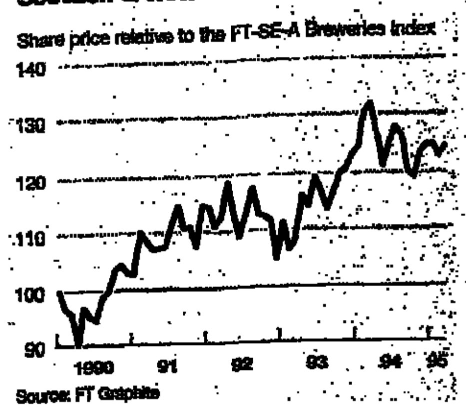
UK brewers

Industry consolidation has long been viewed as the cure to the ailments afflicting Britain's brewers. The market's excitement at the prospect of Scottish & Newcastle's buying Britain's second largest brewer, Courage, is therefore hardly surprising. The industry has been beset by flat volumes and falling margins. This has been sparked by more than 20 per cent over-capacity and increased competition following government moves to limit ties between brewers and pubs. But industry executives have long argued that a series of mergers within the industry would alleviate the pain, creating a cosier oligopoly, while removing some excess brewing capacity.

In reality, however, the industry's problems appear more deep-rooted. The Government has made strenuous efforts to force the sector to become more competitive. It could hardly sit back and watch the formation of something akin to a brewing cartel. Furthermore, it is unlikely that Bass will give up its number one position to S&N without a bit of a fight. Finally, the reduction in capacity resulting from a possible S&N/Courage merger could prove disappointing. After all, no company likes to buy assets just to shut them down.

Scottish & Newcastle

Share price relative to the FT-SE-A Breweries Index



Source: FT Graphite

Nonetheless, a merger should at least mark the beginning of an era of less aggressive competition.

Brewery businesses could therefore become a steadier source of cash to fund the industry's push into faster growing and higher margin leisure activities, such as modern food and family oriented pubs.

Thomas Cook chief quits post

By Peggy Hollinger and David Blackwell

Mr Christopher Rodrigues is quitting his post as chief executive of Thomas Cook, the travel agent owned by Germany's Westdeutsche Landesbank.

Mr Rodrigues's departure comes just three months after he left the board of First Choice Holidays, 21 per cent owned by WestLB, after it became apparent that other multiple holiday retailers were suspicious of the strong Thomas Cook link.

Mr Rodrigues will be replaced as chief executive by Mr Hans Zierke, head of WestLB's London branch.

Thomas Cook also announced a sharp jump in pre-tax profits from £31.6m to £60.7m ($100m) because of a £39.4m gain on the disposal of the business travel operation. Gross sales were 8 per cent higher at £17.1bn. Revenues, which represent the commission received on holidays and travellers cheques, were 10 per cent higher at £656.6m.

Northern Electric dissidents threaten to call EGM

By David Wighton

Dissident Northern Electric shareholders are threatening to call an extraordinary general meeting unless the board enters talks with Trafalgar House about a new offer for the company by March 31.

Mr Guy Wyser-Pratte, of the US arbitrage firm Wyser-Pratte which owns 800,000 shares, has written to the board accusing it of breaching its fiduciary duty in its defence of Trafalgar House's original £1.2bn bid.

Northern Electric's decision to offer a £560m package of benefits to its shareholders was one of the factors which prompted Professor Stephen Littlechild, the electricity regulator, to announce a review of the industry's pricing regime. This led Trafalgar House to lapse its £11 a share bid and propose a 950p offer.

Mr Wyser-Pratte points out that Northern's defence included information about future plans which had not been disclosed to Prof Littlechild when he announced the new price regime in August.

"The board of directors therefore knew, or should have known, that these proposals would be unacceptable to Professor Littlechild and were therefore an inappropriate response to the offer by Trafalgar House."

Mr Wyser-Pratte adds: "Instead of keeping shareholders' interests in mind, it appears that the directors were prepared to go to extraordinary lengths to put forward proposals which would preserve their position and emoluments, even though the board should have known they could not be implemented."

Mr Wyser-Pratte is threatening to call an EGM to compel Northern to allow Trafalgar House to launch a new bid or to enter negotiations. He also told the Northern board he would "explore the possibility" of taking legal action against directors for breach of fiduciary duty to shareholders.

Wembley to report £36m loss

Wembley, the stadium and greyhound group, is expected to announce annual losses of about £36m ($60m) when it unveils its refinancing package next month, writes Tim Burt.

The company, which had originally planned to publish the figures today, has delayed the announcement while it seeks support from institutional investors for a £60m rights issue and £40m debt-for-equity swap.

It is expected to tell City fund managers that write-downs and exceptional items totalling £16m will leave the company with a cleaner balance sheet and better placed to exploit rising demand for venue bookings.

Hammerson asset rise disappoints

By Simon London, Property Correspondent

Hammerson, the property company which has been reshaping its portfolio, disappointed the stock market with a 9.3 per cent rise in net asset value per share from 343p to 375p (615 cents) during 1994.

Hammerson said the underlying increase in the value of its £1.6bn property portfolio was just 1 per cent. Its UK properties, which make up 52 per cent of the total, increased in value by 3.6 per cent, with offices performing marginally better than retail properties, after a 9.1 per cent gain in 1993.

Declining values were seen in France, Canada and the US.

Pre-tax profits jumped to £107.5m (£39.8m), helped by a £54.5m exceptional profit on the sale of the Australian property portfolio for £245m.

Mr Ron Spinney, who took over as chief executive two years ago, said Hammerson's principal markets were now improving, although demand for offices remained patchy.

The group acquired 11 large properties during the year, spending a total of £351m. The largest acquisitions were 99 Bishopsgate in the City of London, the bomb-damaged office block which is being refurbished, as well as retail and office properties in Paris and two Canadian shopping malls.

Mr Spinney said the rebalancing of Hammerson's portfolio towards retail properties and continental Europe was now largely completed. He added that the company was still looking to make retail and office investments France and Germany.

Gehe is encouraged by AAH acceptances

By David Blackwell

Gehe yesterday extended until April 13 its £377.4m ($620m) offer for AAH, the pharmaceuticals retailer and distributor.

The German drugs wholesaler received acceptances for 1.92 per cent of the shares by 3pm last Friday – the first closing date. It now holds a total of 3.98 per cent.

Gehe said it was "very encouraged by the level of acceptances at this early stage". It continued to believe that the offer of 420p a share was generous, and had been pitched at the right level to succeed.

However, AAH described the level of acceptances as "low", demonstrating support for the board's argument that the hostile offer failed to reflect the true value of the group. It again urged shareholders to ignore the bid.

US buy for Celsis

Celsis, the biotechnology company, has acquired Integrated BioSolutions of New Jersey, a distributor of microbial testing equipment.

The consideration will be met with $200,000 cash and the issue of up to 700,000 shares; 200,000 shares will be issued on completion, with the balance plus all the cash payable over the next year on condition that certain key employees are retained.

IBS had sales of $2m in 1994.

United Energy

United Energy, the USM-quoted oil and gas producer, incurred net losses of £379,000 ($622,000) for 1994 against profits of £23,000. The company, with interests in the US and Europe, blamed the continued decline in prices.

Turnover was £2.52m (£3m) as a result of the lower prices and the sale of its interest in Humbly Grove, Dorset. Losses per share were 1.1p, against earnings of 0.1p. There was no tax.

Mr John Billington, chairman, said the acquisition of two properties in the US would more than double the reserve base and daily production.

Nestor-BNA

A £4.5m exceptional loss on the sale of its hospitals and nursing homes division left Nestor-BNA, the healthcare group, £81,000 ($133,000) in the red for 1994.

MRA, the US-based business, had reduced its cost base, while BNA in the UK was performing well.

Royal Doulton to set up first overseas manufacturing plant

By Peggy Hollinger

Royal Doulton, the fine china company which has been based in England's Potteries region for 200 years, yesterday announced a sharp jump in annual profits and unveiled plans to build its first manufacturing operation abroad.

The move is an attempt to tap into the growing market for everyday tableware. Royal Doulton is setting up a joint venture in Indonesia with Multiforma, a sanitaryware company, to produce mid-price fine china for North America and the Asia Pacific region, where Royal Doulton is currently unable to compete with cheaper Japanese products.

Mr Stuart Lyons, chief executive, stressed the venture would only produce fine china. It would not compete with the Staffordshire factories, which have produced bone china since 1795. Royal Doulton will invest £5.75m ($9.43m) in the project, and own 70 per cent.

The announcement came as the company, demerged from the Pearson media group in 1993, completed its first full year as a quoted entity. Pre-tax profits for 1994 jumped from £3.04m to £12.6m on sales 2.5 per cent ahead to £227.5m.

Mr Lyons said the improvement was largely due to increased efficiency in the manufacturing division. Overall, however, sales growth had slowed over the last year. The company experienced difficulties in North American distribution during the first half.

Improved efficiency helps Caradon cut £40m in costs

By Andrew Taylor, Construction Correspondent

Caradon, the building products group, turned in pre-tax profits of £201.2m ($330m) for 1994, on turnover of £1.99bn.

The previous year's pre-tax result of £213.4m, on sales of £960.7m, included exceptional profits of £100.3m on the disposal of CarnaudMetalbox.

The figures for 1994 included the first full-year contribution from Pillar, the building products business Caradon acquired from RTZ for £809m in August 1993. On the basis of pro forma figures for 1993 to include Pillar for a full 12 months, operating profits rose 24 per cent from £165.4m to £205.4m.

Mr Peter Jansen, chief executive, said a £40m reduction in costs due to improved efficiency was the biggest single reason for the rise in underlying profits. Margins in the core building material businesses had risen from 7.5 to 9.8 per cent.

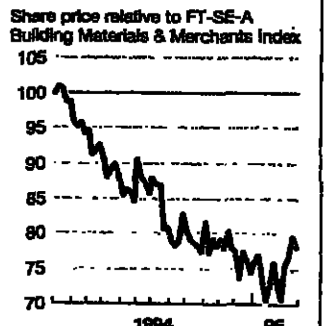
Mr Jansen was cautious about prospects with UK markets having subsided, while economic growth in the US, which accounted for 38 per cent of group sales, was likely to be more limited this year, dampening demand for the company's products.

The shares eased 3p to 262p.

Operating profits in the UK on a pro-forma basis rose 35 per cent to £102.2m (£75.9m). US profits increased 21 per cent to £78.3m (£64.8m), in spite of a 23 per cent fall in security printing profits to £39m (£50.4m). Profits in continental Europe, mainly from sales of radiators, dipped to £25m (£25.6m).

Caradon

Share price relative to FT-SE-A Building Materials & Merchants Index



Source: FT Graphite

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aran Energy ‡	Yr to Dec 31	83.4	(63.9)	6.9♥	(5.7)	1.4	(1.67)	-	-	-	-	-
Brake Bros	Yr to Dec 31	402.2	(353.9)	23.5	(19.1)	29.3	(27)	5.82	July 3	4.82	8.12	6.82
Caradon	Yr to Dec 31	1,990	(960.7)	201.2	(213.4♥)	19.9	(31.3)	6.6†	June 2	6.08	9.5	8.91
Fitzwilton ‡	Yr to Dec 31	282.9	(305.7)	8.43	(13.8L♠)	2.18	(13.74L)	1.25†	Aug 18	2	2.25	3.5
Forth Ports	Yr to Dec 31	35.7	(33.1)	13.7	(9.62)	30	(21.4)	7.25	May 26	5	9.95	7.25
Gaelic Resources ‡	Yr to Dec 31	12.4	(-)	0.222L	(0.54L♠)	-	(-)	-	-	-	-	-
Gaskell	Yr to Dec 31	38.2	(30.5)	0.71	(0.4♥)	9.7	(5.3)	2.75	July 5	2.75	4.25	4.25
Graystone	5 mths to Dec 31	22	(12.5)	2.96	(1.15)	0.64	(0.6)	0.18	June 23	0.1	-	0.24
Hammerson	Yr to Dec 31	121.3□	(118.9□)	107.5♥	(39.8♥)	34.3	(13.9)	6.5†	June 2	6.5	10	10
Heathcall	Yr to Dec 31	41.2	(36.3)	6.39	(3.06♠)	8.6	(3.2)	3	May 16	-	4.5	-
Inchcape	Yr to Dec 31	6,102	(5,877)	228.4	(271.4♥)	26.8	(33.9)	9	July 3	9	15	14.8
Intermediate Cap	Yr to Jan 31	31.3□	(31.1□)	17.9♠	(14.6♠)	27.2	(28.7)	7.75	-	-	11.5	-
IoM Steam Packet	Yr to Dec 31	27.7	(25.5)	2.45	(3.48♠)	7.8	(10.3)	3.75‡	May 8	3.75*	5.5	5.5*
Monument Oil & Gas	Yr to Dec 31	25.7	(31.1)	7.64	(7.86)	1.12	(1.22)	-	-	-	-	-
Nestor-BNA	Yr to Dec 31	117.7	(110.5)	0.081L	(4.52)	2.08L	(4.46)	2	May 26	2	3.15	3.15
Page (Michael)	Yr to Dec 31	74.3	(51.2)	8.61	(3.84)	8.95	(4.01)	2.2	May 26	1.5	3	2.1
Pearson	Yr to Dec 31	1,550	(1,870)	297.8♥	(208.6♠)	40.4	(27)	9.25	June 2	7.625	15	13
Royal Doulton	Yr to Dec 31 ☆	227.5	(222)	12.6	(3.04♠)	18.4	(5L)	5.75	June 2	3	7.5	3
Russell (Alex)	Yr to Dec 31	38.2	(35.9)	3.02	(1.68)	6.78	(2.69)	1.5	May 15	1.25	2.5	1.75
Sharpe & Fisher	Yr to Dec 31	63.7	(51.7)	4.4	(2.35)	14	(9.2)	3.3	June 7	2.7	5	4.2
T&S Stores	Yr to Dec 31	411.7	(352.1)	13.9	(12.6)	14.53	(13.44)	3.9	May 26	3.6	6.5	6.1
Tay Homes	6 mths to Dec 31	41.7	(26.6)	20.5	(1.22)	4.81	(3.63)	1.55	May 5	1.35	-	6.45
Taylor Nelson AGB	Yr to Dec 31	61.5	(55.7)	6.19	(4.17)	1.83	(1.26)	0.34	July 3	0.32	0.84	0.45
Tele-Cine Cell	Yr to Dec 31	13	(9.89)	2.31	(1)	15.2	(-)	1.21	May 15	-	1.21	-
Ulster TV	Yr to Dec 31	31.4	(28)	7.49♥	(5.07)	48.16	(31.78)	12.5	June 5	8.75	20	15
United Energy §	Yr to Dec 31	2.52	(3)	0.38L	(0.023)	1.1L	(0.1)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
HB Smaller Cos	Yr to Feb 28	130.6	(154.5)	1.01	(1.02)	3.73	(3.79)	2.74	June 27	2.63	3.68	3.57
Personal Assets								100‡	May 19	-	-	200

Dividends shown net. Figures in brackets are for corresponding period. ‡Irish currency. ♥After exceptional charge. ♠After exceptional credit. †On increased capital. □Total income. ☆Comparatives restated. *Equivalent after allowing for scrip issue. §USM stock. ‡Gross. ‡Second interim.

EU agrimoney review planned

By Caroline Southey in Brussels

European Union farm ministers yesterday agreed to hold a special council on April 10 to consider changes to the agrimonetary system following recent currency turmoil.

They are under pressure to review a system that has been in place since early February when the "switchover", part of the EU's complex "green money" system for converting farm subsidies into national currencies, was scrapped.

At present changes in green rates take place only in exceptional circumstances. In the case of the appreciation of a national currencies, revaluation of the green rate is considered if the gap between it and the market rate exceeds 5 percentage points for more than 50 days, including an initial 10-day monitoring period.

If the difference remains above 5 points at the end of the 40-day "confirmation" period, agriculture ministers have to decide by how much the green rate should be revalued and how much compensation producers should be paid. The confirmation period has started for some currencies. It expires on April 14 for the Belgian and Luxembourg francs and on May 4 for the Deutchmark, Dutch Guilder and Austrian schilling.

Among changes being sought is an extention of the confirmation period, while Germany wants Brussels to finance all, instead of 50 or 75 per cent, of the compensation for producers affected.

'Worst over' for Britain's disgruntled pig farmers

By James Harding

"The end of the worst" was the most enthusiastic description one pig farmer could muster yesterday for the last month's surge in prices for pigmeat.

Of all the UK's disgruntled farmers, the ones with the most reason to be downcast in recent years have been the pig producers. While net farm income averaged across all types of farm rose in England by 11 per cent in 1993-94, last week's ministry of agriculture report on UK farm incomes showed pig and poultry farmers suffering a 71 per cent decline in their revenues.

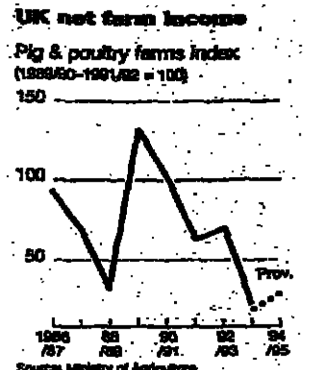
However, with prices rising an average 2½ pence a week in the last three recorded weeks, pushing the Average All Pigs Price up to 115.6p a kilogram deadweight for the week ending March 18th, industry observers believe the picture for pig farmers may not look so drastic in 1995.

The underlying reason for the confidence, and the rise in price after months languishing below 100p, is the contraction in the European herd. The latest pigmeat forecast figures compiled in Brussels show that of all EU producers only France has registered any increase of note in output in the second half of last year.

In Germany, the December farm census shows the pig population down 5 per cent on a year earlier and forecasts 1995 pig production a further 4.1 per cent lower than 1994 output.

The February census for the Danish pig herd shows a gentle year-long decline in production, with the numbers 1.6 per cent lower than February 1994. The country's total pig production for the first half of 1995 is expected to be marginally lower than the same period a year earlier, but is expected to pick up in the second half of this year.

UK net farm income



Flat or declining production figures for the rest of Europe are sustaining pig producers hopes that the recent price rises are not going to follow the all too familiar pattern of the last two years - a lurch upwards in UK prices that quickly goes beyond the European market level and then crashes as pigmeat users buy in carcasses from other EU producers.

"Every time the price has raced away in the past, it has been halted by lower prices elsewhere in Europe," says Ms Sally Doyle in the economic policy and forecasting unit at the Meat and Livestock Commission. "What happens now really depends on whether their prices continue to increase and judging by the December census that may well happen."

The price rises themselves may yet stimulate a further reduction in UK output as heavily indebted pig producers may take the opportunity of cashing in their pig businesses while the market is relatively buoyant.

"Some farmers will be asking themselves whether to take the money and run now when their pig crates may be worth more than their debt," says Mr Dafydd Owen, pig adviser at the National Farmers' Union.

The uncertainties that hang over the industry, according to Mr Owen, may yet depress prices in the medium term and are enough in the near future to drive out those farmers who have just been waiting to recoup their losses.

In particular, the reduction in EU export refund payments to pig farmers selling outside Europe as envisaged in the General Agreement on Tariffs and Trade settlement and scheduled to come into force on July 1 could push up supply on the continent and act as a drag on prices, Mr Owen suggests.

Of the 950 000 tonnes of pigmeat exported out of the EU last year, 860 000 tonnes were supported by an export refund payment, albeit often a small one. The Gatt limits the payments to 490 000 tonnes for 1995-96, potentially leaving a few hundred thousand tonnes to be disposed of on the European market.

The NFU is also concerned about the forthcoming animal welfare regulations for the pig industry in the UK which will include a ban on farrowing crates and tethers, forcing farmers to invest in new housing for their pigs. When the ban comes into force in 1999, it will cost farmers £2.70 per pig, equivalent to 15 to 20 per cent of the profit margin on the animal, the NFU estimates.

With such obstacles in view, few pig farmers are in a mood to get excited about the recent price recovery. The common view is summed up by Mr Owen's sombre appraisal: "The only difference the last three weeks have made is pig producers now worried about next week rather than tomorrow".

America's confident growers have a mission to succeed

Many successful extroverts in the US agricultural sector seem to believe themselves to be chosen to feed the world

FARMER'S VIEWPOINT

By David Richardson

Every time I visit the US I am impressed by the "can do" attitude of its farmers. My views may be coloured by the characters of those I tend to visit – successful extroverts who welcome visitors and want to talk. Indeed I have seldom met a US farmer who does not fit that description. It is only a slight exaggeration to suggest that as they drive their 4x4 pickups around their broad acres many believe themselves to be chosen to feed the world.

Last week in Colorado, in the Mid-West, I thought I detected an even greater determination to prove that US farmers are the most productive, the most efficient and the most competitive anywhere. The reasons behind those feelings were the North American Free Trade Agreement between Mexico, Canada and the US, and the General Agreement on Tariffs and Trade settlement, which will eventually bring about freer trade between the US and most of the rest of the world.

The reduction and removal of trade restrictions with other countries seem to many American farmers the key to opening the door to their own expansion. Indeed some have already started expanding and are gambling heavily on profitable exports markets being available when their production is ready for sale. The fact that the Mexican Peso has halved in value since the Nafta was signed, cutting the value of US exports to that country, has not exactly helped, of course. But that little setback has not dampened the enthusiasm of the expansion-minded.

A pig farmer I visited 320km south of Denver (but still in Colorado) illustrates the point. He and his family are already well established in pig production near the Canadian border in North Dakota. Winters are severe at such latitudes and pigs have to be kept inside to avoid terminal frostbite. But in southern Colorado, New Mexico, and the Texas and Oklahoma panhandles the weather and the land are ideal for outdoor pig systems, developed incidentally in the UK.

This northerner has therefore purchased 6,000 acres of ex-cattle grazing country at about $100 an acre. The first 1,500 breeding sows are already on the first 1,000 acres and within 12 to 18 months it is intended that a further 7,500 sows and their piglets will be running over the rest. External investors have put up some of the money, a system commonly used in the US to finance the purchase and feeding of beef cattle and also some kinds of irrigated farming.

When I asked the farmer if being a pioneer worried him he shrugged and said he was not the only one developing such a business. He cited several examples of integrated pig enterprises – that is close alliances of feed manufacturers, pig farmers and meat processors – far bigger than his.

Another company was said to be putting in a pig production unit of 80,000 sows with Japanese finance; and that source of funding would be significant. Although US consumption of pig meat has been static for many years the biggest potential market for such increased US production is south east Asia – especially Japan. Reduced tariff barriers with such countries as a result of the Gatt settlement will, it is believed, make profitable trade that is not so at present.

It should, however, be made clear that the agreed reduction in tariffs is progressive and the most significant benefits for US farmers will not be realised for four or five years. In other words the pig expansion I witnessed and heard about may be somewhat premature.

A similar situation exists with US beef. The national herd has been expanding steadily for several years. This year it is forecast to increase by a further 2 per cent and in spite of widespread predictions by industry analysts of over-supply and disastrously low prices by 1996-97 there is no sign of a let up in the rise in production.

Those same analysts point out that the US exports only 6 to 7 per cent of its total production of beef and that it therefore takes an increase of almost 20 per cent in exports to absorb a 1 per cent increase in domestic production. They have also given reminders that the normal 10-year "boom and bust" beef cycle is about to bust and hit producers.

But cattlemen have not responded by cutting production, probably, it is thought, because they believe Gatt-promoted exports will take care of any surplus. Here again South-east Asia is the main target market. Although the European Union is still very much on the list as a potential customer.

I reminded beef industry representatives of the ban on US imports into the European Union because of the 6-year ban-on meat from cattle implanted with growth promoting hormones. The reply was the standard one – "there is no scientific evidence that approved hormones are dangerous. The World Trade Organisation [the successor to Gatt] will adjudicate – almost certainly in our favour."

I got a similar dusty reply when I asked a representative of the milk industry, who also happened to be a trade adviser to President Clinton, whether he hoped to export to the EU butter and cheese that might be manufactured from milk produced with the help of Bovine Somatatropin, which, like beef growth promoters, is now permitted in the US but not in the EU.

He explained that it was, and would remain, US government policy to make agriculture stand on its own feet without aid by the year 2000. that would be the case, he assured me, whichever party were in power. What US farmers had to do, he concluded, was to make themselves the most efficient producers in order to stay competitive on a world scale. If that meant using hormones and BST that is what US farmers should do.

MARKET REPORT

Coffee off highs

London Commodity Exchange robusta COFFEE futures ended firm on mixed buying yesterday but well off highs. The May delivery contract ended up $13 at $3,010 a tonne after touching $3,078.

Dealers said the market looked steadier after slumping last week to four-week lows on uncertainty over Brazil's coffee policy. "The market is sick and tired of the contradictions," said one, referring to the recent failure of exporters and growers to agree on export quotas.

A slowing in COPPER's upward momentum and a general lack of any significant volume of fresh orders put base metals prices under pressure at the London Metal Exchange.

"There was some buying on dips but I think consumers can sense a downside move, particularly if copper falls back below $2,930," a trader said. It closed yesterday at $2,940.50 a tonne, little changed on the day, but eased a few dollars in after hours trading.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1832-4	1860-2
Previous	1845.5-6.5	1873.5-4.5
High/low		1878/1857
AM Official	1830-30.5	1859-60
Kerb close		1858-8.5
Open int.	216,104	
Total daily turnover	43,214	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1830-40	1835-40
Previous	1835-40	1835-40
High/low		1840/1835
AM Official	1830-40	1835-40
Kerb close		1835-40
Open int.	2,878	
Total daily turnover	1,461	

■ LEAD ($ per tonne)

Close	603-4	618-9
Previous	612-4	625-7
High/low		626/613
AM Official	598-9	612.5-3.0
Kerb close		613-4
Open int.	38,544	
Total daily turnover	3,744	

■ NICKEL ($ per tonne)

Close	7640-50	7770-80
Previous	7750-60	7885-95
High/low	7650	7900/7750
AM Official	7640-50	7790-800
Kerb close		7750-60
Open int.	56,436	
Total daily turnover	16,967	

■ TIN ($ per tonne)

Close	5745-55	5795-805
Previous	5780-90	5830-5
High/low		5820/5780
AM Official	5740-50	5790-800
Kerb close		5780-90
Open int.	20,076	
Total daily turnover	4,961	

■ ZINC, special high grade ($ per tonne)

Close	1027-8	1054-4.5
Previous	1037-8	1063-4
High/low		1065/1045
AM Official	1022-23	1050-1
Kerb close		1046-7
Open int.	97,795	
Total daily turnover	33,861	

■ COPPER, grade A ($ per tonne)

Close	2967-8	2940-1
Previous	2970-1	2939-40
High/low	2982/2960	2945/2933
AM Official	2961-2	2935-6
Kerb close		2936-8
Open int.	230,253	
Total daily turnover	53,502	

■ LME AM Official £/$ rate: 1.5933
LME Closing £/$ rate: 1.5960

Spot:1.5978 3 mths:1.5964 6 mths:1.5936 9 mths:1.5918

■ HIGH GRADE COPPER (COMEX)

	Latest	Day's change	High	low	Open int	Vol
Mar	142.20	-0.80	143.00	142.00	2,193	500
Apr	140.30	-1.10	141.10	140.30	1,869	133
May	138.50	-0.40	139.25	138.25	28,053	4,543
Jun	136.30	+0.90	-	-	636	8
Jul	133.60	-0.55	134.20	133.60	6,838	452
Aug	132.00	+0.90	-	-	375	1
Total					40,256	6,048

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	381.70-382.10		
Opening	382.10-382.50		
Morning fix	382.30	239.912	448.718
Afternoon fix	382.20	239.564	446.295
Day's High	382.40-382.70		
Day's Low	381.50-381.90		
Previous close	381.80-382.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.00	6 months	4.80
2 months	4.30	12 months	5.18
3 months	4.51		

Silver Fix	p/troy oz.	US cts equiv.
Spot	290.85	463.00
3 months	294.75	468.80
6 months	299.70	475.80
1 year	310.80	490.75

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	242-245
Maple Leaf	393.35-395.80	-
New Sovereign	89-92	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	386.5	-	-	-	-	-
Apr	382.6	-0.1	383.3	382.1	42,545	30,837
May	383.9	-1.6	-	-	-	-
Jun	385.0	+0.1	385.5	384.4	42,115	10,367
Aug	388.3	+0.2	388.4	388.3	16,542	507
Oct	391.5	-1.8	-	-	5,180	958
Total					163,193	44,913

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	415.0	+1.6	418.0	413.0	6,476	2,574
Jul	418.5	+2.1	419.0	415.5	12,015	1,973
Oct	422.5	+2.9	422.5	422.5	2,458	6
Jan	423.1	-3.4	-	-	740	2
Total					21,695	4,565

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	167.50	-4.60	-	-	4	1
Jun	172.25	+2.75	173.40	171.50	7,154	1,152
Sep	174.00	+3.00	174.00	173.50	676	28
Dec	172.00	-4.60	-	-	133	-
Total					7,967	1,189

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Mar	481.0	+1.2	481.0	481.0	36	3
Apr	480.2	-7.3	-	-	201	200
May	465.5	+3.3	467.5	462.5	62,669	15,001
Jul	471.5	+4.1	472.0	468.0	14,500	2,348
Sep	476.5	+4.3	476.5	473.0	11,261	12
Dec	483.5	+4.1	484.5	480.0	16,441	316
Total					129,468	17,881

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	18.88	+0.10	18.94	18.71	91,597	48,012
Jun	18.72	+0.07	18.76	18.60	54,756	21,903
Jul	18.55	+0.05	18.59	18.52	34,807	8,437
Aug	18.38	+0.03	18.42	18.35	15,157	6,764
Sep	18.29	+0.05	18.32	18.29	22,606	5,221
Oct	18.20	+0.06	18.20	18.19	6,842	2,371
Total					348,082	107,889

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	17.26	+0.14	17.28	17.10	55,729	18,799
Jun	17.09	+0.16	17.10	16.98	28,142	6,096
Jul	16.93	+0.14	16.94	16.80	15,536	2,874
Aug	16.82	+0.12	16.82	16.71	9,317	1,394
Sep	16.71	+0.05	16.71	16.65	5,953	1,120
Oct	16.70	+0.10	16.70	16.68	3,369	181
Total					139,723	33,880

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	47.25	+0.93	47.30	46.32	17,490	13,805
May	47.35	+0.75	47.40	46.55	32,078	11,773
Jun	47.70	+0.80	47.70	47.10	15,507	2,812
Jul	48.20	+0.80	48.20	47.90	15,558	1,544
Aug	48.75	+0.70	48.80	48.75	6,652	508
Sep	48.95	-	-	-	4,595	572
Total					123,423	32,601

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	153.50	+4.00	153.75	149.25	35,302	9,994
May	151.25	+3.00	151.50	148.25	21,444	6,045
Jun	151.00	+2.75	151.25	147.75	11,597	4,567
Jul	152.00	+2.50	152.00	150.00	8,060	787
Aug	153.75	+2.50	153.75	151.50	2,183	268
Sep	155.75	+2.75	154.00	154.00	2,579	33
Total					94,412	25,123

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
May	1.684	+0.040	1.690	1.625	28,729	17,285
Jun	1.740	+0.031	1.740	1.695	14,994	4,007
Jul	1.780	+0.028	1.760	1.720	14,808	1,925
Aug	1.765	+0.020	1.765	1.735	13,376	1,277
Sep	1.775	+0.017	1.775	1.750	13,489	1,675
Oct	1.790	+0.005	1.790	1.765	9,363	1,184
Total					152,745	67,072

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	58.10	+0.28	58.45	57.62	14,281	9,197
May	57.55	+0.04	58.00	57.25	24,238	9,338
Jun	57.25	-0.04	57.80	56.90	10,673	2,430
Jul	57.00	+0.03	57.40	56.80	7,984	801
Aug	56.50	-0.02	57.00	56.50	4,015	1,108
Sep	55.50	-0.12	55.70	55.50	2,273	185
Total					86,978	25,856

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	112.90	-0.35	113.10	112.60	1,876	36
Jul	114.15	-0.40	114.20	114.00	479	-
Sep	100.40	-0.30	100.40	100.30	331	-
Nov	101.30	-0.35	101.50	101.20	2,445	10
Jan	103.30	-0.40	103.30	103.30	688	-
Mar	104.75	-0.30	105.00	104.75	418	43
Total					6,237	89

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

May	345/4	-5/6	350/0	345/0	21,199	4,039
Jul	338/4	-4/0	341/0	338/0	23,945	6,137
Sep	344/4	-4/0	347/2	344/2	3,847	986
Dec	355/4	-4/0	359/0	355/4	2,676	349
Mar	361/0	-2/4	361/4	361/0	27	1
May	-	-	-	-	-	-
Total					51,624	11,523

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

May	246/0	-0/6	246/4	246/0	108,381	
Jul	252/0	-1/0	252/6	252/0	110,621	
Sep	255/6	-1/0	256/2	255/6	21,480	
Dec	258/6	-1/0	259/6	258/4	92,625	
Mar	265/0	-1/0	265/4	265/0	8,669	
May	270/2	-	-	-	503	
Total					347,898	33,856

■ BARLEY LCE (£ per tonne)

May	108.25	-0.75	-	-	158	-
Sep	99.75	-0.55	100.00	99.85	109	-
Nov	100.90	-0.35	101.00	101.00	522	-
Jan	102.90	-0.25	-	-	164	-
Mar	104.45	-0.45	-	-	105	-
Total					1,058	-

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

May	574/4	-4/0	578/0	574/4	45,248	7,535
Jul	584/4	-4/6	588/2	584/4	50,778	7,850
Aug	589/6	-3/4	592/6	589/6	6,341	429
Sep	592/4	-3/2	594/6	592/4	3,794	145
Nov	599/0	-5/2	602/6	599/0	28,913	1,915
Jan	608/4	-1/4	610/4	608/4	1,993	78
Total					139,767	18,371

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

May	26.01	-0.54	26.52	25.80	29,963	4,666
Jul	25.68	-0.46	26.02	25.60	23,328	1,887
Aug	25.50	-0.45	25.85	25.50	8,088	240
Sep	25.45	-0.36	25.70	25.45	8,359	191
Oct	25.32	-0.33	25.50	25.32	6,659	145
Dec	25.05	-0.37	25.40	25.05	13,682	862
Total					87,787	8,256

■ SOYABEAN MEAL CBT (100 tons; $/ton)

May	165.6	-0.9	166.9	165.5	34,865	4,986
Jul	169.9	-0.9	171.3	169.8	30,287	2,400
Aug	172.0	-0.7	173.1	172.0	7,625	280
Sep	173.9	-0.8	175.3	173.9	5,248	120
Oct	175.5	-0.5	176.3	175.5	8,029	90
Dec	178.3	-0.9	179.1	178.2	12,570	745
Total					100,354	8,688

■ POTATOES LCE (£/tonne)

Apr	319.5	+17.5	320.0	305.0	512	58
May	356.5	+14.0	356.0	351.0	93	5
Jun	250.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Mar	250.0	-	-	-	-	-
Apr	135.0	-	-	-	-	-
Total					704	63

■ FREIGHT (BIFFEX) LCE ($10/index point)

Mar	2270	-5	-	-	360	-
Apr	2190	+20	2191	2190	961	13
May	2100	+30	2100	2080	955	15
Jul	1889	+28	1885	1870	980	-
Oct	1850	+20	1850	1850	928	-
Jan	1815	+20	-	-	317	-
Total					4,499	28

	Close	Prev
BFI	2281	2289

Tea
The Tea Broker's Association reports, good general demand. The few brightest teas on offer advanced 4 to 6 pence. Below best remained about steady. However, good mediums opened fully firm but eased as the sale progressed. Mediums were unchanged. Offshore - good competition. Ceylons were dearer while Africans sold well at firm rates. Quotations: best available 160p/kg., nom good 128p/kg., good medium 115p/kg., medium 92p/kg., low medium 82p/kg. nom. The highest price realised this week was 166p for a Kenya pd.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	943	-	943	940	1,366	10
May	950	-4	954	945	20,672	945
Jul	964	-4	969	953	14,128	425
Sep	979	-3	982	977	13,247	44
Dec	993	-3	998	992	14,865	5
Mar	1012	-4	1016	1011	20,460	77
Total					109,583	1,506

■ COCOA CSCE (10 tonnes; $/tonnes)

May	1312	+5	1316	1310	33,802	3,954
Jul	1335	+7	1338	1333	14,089	1,863
Sep	1359	+3	1362	1357	8,948	230
Dec	1366	+5	1392	1388	6,105	239
Mar	1413	-	-	-	6,023	182
May	1425	-	-	-	4,702	180
Total					80,866	6,669

■ COCOA (ICCO) (SDR's/tonne)

Mar 24	Price	Prev. day
Daily	927.58	928.57

■ COFFEE LCE ($/tonne)

Mar	3070	+40	3110	3070	110	18
May	3011	+14	3078	3010	14,063	610
Jul	2976	+27	3025	2975	10,349	503
Sep	2949	+46	2980	2950	6,375	59
Nov	2918	+42	2951	2940	1,462	30
Jan	2913	+52	2925	2925	225	10
Total					34,639	1,228

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

May	168.50	+0.90	169.80	166.60	14,217	8,159
Jul	170.35	+1.25	171.75	168.70	9,761	2,187
Sep	172.00	+1.20	172.75	171.00	5,955	642
Dec	171.25	+0.60	172.50	171.25	5,534	663
Mar	171.00	-	-	-	1,574	131
May	170.00	-	-	-	51	26
Total					37,092	11,808

■ COFFEE (ICO) (US cents/pound)

Mar 24	Price	Prev. day
Comp. daily	156.08	157.54
15 day average	163.90	164.53

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

May	15.19	-	15.19	15.19	1,161	100
Jul	14.35	-	14.35	14.35	2,360	2,000
Oct	-	-	-	-	-	-
Jan	-	-	-	-	-	-
Mar	12.00	-	12.00	12.00	2,000	2,000
Total					5,521	4,100

■ WHITE SUGAR LCE ($/tonne)

May	379.0	-	379.0	376.0	10,490	653
Aug	365.5	-	365.5	362.5	7,681	853
Oct	332.5	-	332.5	330.5	3,530	163
Dec	320.3	-	321.7	320.3	378	213
Mar	-	-	-	-	543	-
May	-	-	-	-	219	-
Total					22,872	1,882

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

May	14.19	+0.01	14.25	14.16	56,897	8,401
Jul	13.14	+0.06	13.16	13.06	37,166	4,233
Oct	12.18	+0.06	12.19	12.13	37,852	1,289
Mar	11.81	+0.02	11.87	11.79	13,007	378
May	11.65	+0.03	11.66	11.62	3,636	35
Jul	11.37	+0.02	11.40	11.37	3,712	-
Total					151,898	12,447

■ COTTON NYCE (50,000lbs; cents/lbs)

May	100.30	-2.00	101.10	100.30	20,120	3,911
Jul	97.35	-2.00	98.00	97.35	18,362	2,607
Oct	80.95	-1.08	81.50	80.30	7,411	873
Dec	76.15	-0.79	76.62	75.70	26,271	2,387
Mar	76.96	-1.15	77.60	76.80	5,604	411
May	77.85	-0.75	78.30	77.81	1,134	102
Total					80,077	10,370

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

May	105.00	+1.80	105.50	103.50	11,796	713
Jul	108.90	+2.10	108.50	107.50	5,408	390
Sep	112.25	+2.15	112.50	111.30	4,446	137
Nov	110.00	+1.40	110.00	110.00	2,286	41
Jan	111.50	+1.55	111.50	111.50	1,842	9
Mar	112.00	-	-	-	193	14
Total					25,793	1,317

US DATA
US Futures are latest prices. Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 27	Mar 24	month ago	year ago
2312.1	2315.0	2305.2	1846.6

■ CRB Futures (Base: 1967=100)

Mar 24	Mar 23	month ago	year ago
232.58	234.06	235.68	230.75

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	65.625	+0.000	65.750	67.800	33,880	12,078
Jun	63.325	+0.350	63.575	63.000	24,270	5,918
Aug	61.450	+0.325	61.675	61.175	8,630	2,374
Oct	62.750	+0.325	63.050	62.650	5,780	852
Dec	64.500	+0.175	64.800	64.500	2,365	*418
Feb	65.500	+0.325	65.575	65.200	1,266	428
Total					78,077	23,111

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Apr	37.700	+0.200	38.075	37.650	8,605	3,692
Jun	43.475	-0.400	44.200	43.350	12,684	6,073
Aug	43.300	-0.050	43.550	43.150	3,530	1,487
Oct	40.150	+0.100	40.450	40.050	2,808	698
Dec	40.750	-0.075	41.100	40.550	3,015	796
Feb	41.350	+0.100	41.650	41.350	946	248
Total					29,888	16,474

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Mar	41.900	-0.950	42.500	41.900	104	131
May	42.000	-1.300	42.850	41.950	4,652	2,769
Jul	42.150	-1.225	43.050	42.000	2,206	757
Aug	40.250	-0.500	40.900	40.250	480	116
Feb	50.500	-0.350	50.500	50.300	127	11
Mar	50.025	-	-	-	8	5
Total					7,576	3,784

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1800	131	172	71	116
1850	105	148	94	141
1900	83	127	121	168
■ COPPER (Grade A) LME	**Jun**	**Sep**	**Jun**	**Sep**
2850	132	102	43	119
2900	102	81	62	147
2950	77	64	85	178
■ COFFEE LCE	**May**	**Jul**	**May**	**Jul**
2950	129	233	68	207
3000	101	210	90	234
3050	80	192	119	266
■ COCOA LCE	**May**	**Jul**	**May**	**Jul**
925	37	67	12	28
950	23	53	23	39
975	13	41	38	52
■ BRENT CRUDE IPE	**Jul**	**Oct**	**Jul**	**Oct**
1650	84	94	35	61
1700	58	71	59	88
1750	37	51	89	118

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)		+or-
Dubai	$16.15-6.25q	+0.085
Brent Blend (dated)	$17.88-7.90	+0.205
Brent Blend (May)	$17.33-7.35q	+0.255
W.T.I. (1pm est)	$19.05-9.08q	+0.335
■ OIL PRODUCTS NWEprompt delivery CIF (tonne)		
Premium Gasoline	$177-178	+1
Gas Oil	$155-156	+4
Heavy Fuel Oil	$86-88	
Naphtha	$172-173	-1.5
Jet fuel	$176-178	+4
Diesel	$165-166	+4

Petroleum Argus. Tel. London (0171) 359 8792

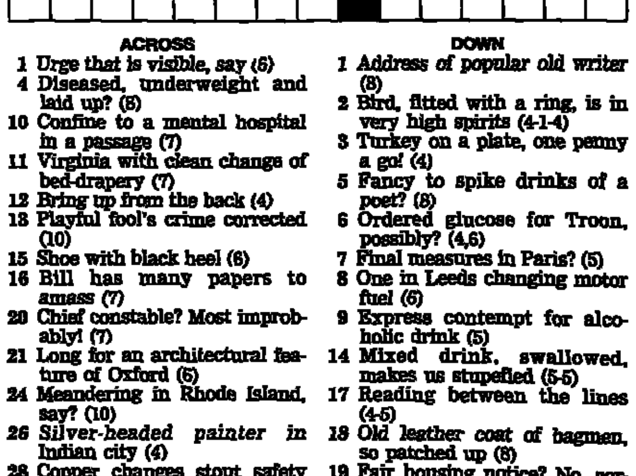
■ OTHER		
Gold (per troy oz)♣	$381.90	-0.10
Silver (per troy oz)♣	465.50c	+3.00
Platinum (per troy oz.)	$415.00	-1.50
Palladium (per troy oz.)	$170.25	-3.90
Copper (US prod.)	147.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	14.69m	+0.04
Tin (New York)	273.50c	
Cattle (live weight)†	121.89p	+0.17*
Sheep (live weight)†♦	130.19p	+1.16*
Pigs (live weight)†	90.24p	-0.73*
Lon. day sugar (raw)	$351.9	-2.0
Lon. day sugar (wte)	$380.5	-3.5
Tate & Lyle export	£342.0	
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Apr)♥	112.50p	-9.50
Rubber (May)♥	112.50p	-9.50
Rubber (KL RSS No1)	486.0m	+3.0
Coconut Oil (Phil)§	$620.0u	-7.5
Palm Oil (Malay.)§	$682.5z	+22.5
Copra (Phil)§	$400.0u	
Soyabeans (US)	£168.0y	
Cotton Outlook'A' Index	109.85c	-1.10
Wooltops (64s Super)	519p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Apr/May z Apr. y Mar/Apr. q May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,722 Set by DINMUTZ



ACROSS

1 Urge that is visible, say (6)
4 Diseased, underweight and laid up? (8)
10 Confine to a mental hospital in a passage (7)
11 Virginia with clean change of bed-drapery (7)
12 Bring up from the back (4)
13 Playful fool's crime corrected (10)
15 Shoe with black heel (6)
16 Bill has many papers to amass (7)
20 Chief constable? Most improbably! (7)
21 Long for an architectural feature of Oxford (6)
24 Meandering in Rhode Island, say? (10)
26 Silver-headed painter in Indian city (4)
28 Copper changes stout safety devices in electrical circuit (7)
29 Foster run true to form? (7)
30 Huge woman using computer wrongly (8)
31 Deckhand transported far away, we are told (6)

DOWN

1 Address of popular old writer (8)
2 Bird, fitted with a ring, is in very high spirits (4-1-4)
3 Turkey on a plate, one penny a go! (4)
5 Fancy to spike drinks of a poet? (8)
6 Ordered glucose for Troon, possibly? (4,6)
7 Final measures in Paris? (5)
8 One in Leeds changing motor fuel (6)
9 Express contempt for alcoholic drink (5)
14 Mixed drink, swallowed, makes us stupefied (5-5)
17 Reading between the lines (4-5)
18 Old leather coat of bagmen, so patched up (8)
19 Fair housing notice? No, corrupt! (8)
22 Polish place of car damaged by bully (6)
23 Brooks, the poet (5)
25 Extremist last month overthrew a king (5)
27 Cheerless slatternly woman (4)

Solution to Saturday's prize puzzle on Saturday April 8.
Solution to yesterday's prize puzzle on Monday April 10.

INTERNATIONAL CAPITAL MARKETS

US Treasury prices flat after early gains

By Lisa Bransten in New York and Martin Brice in London

US Treasury bond prices were mostly flat by late yesterday morning, in spite of weaker than expected figures on February home sales that gave a solid boost to the market in early morning trading.

In late morning, the benchmark 30-year Treasury was unchanged at 103⅜ to yield 7.356 per cent. At the short end of the market, the two-year note was up 1/32 at 100 7/16, yielding 6.608 per cent.

The long bond yield fell to 7.35 early in the morning after figures on home sales came in much weaker than expected. The National Association of Realtors said sales of existing single-family homes dropped 5 per cent from January to February, while most economists had expected a decrease in the range of 1 to 2.4 per cent.

Later in the morning, however, the long bond yield climbed back toward 7.36 as Treasuries gave up their early morning gains.

Buying was stronger in the middle of the yield curve, where seven and 10-year notes out-performed the rest of the maturity spectrum, with each up 1/16 in the late morning.

The slowdown in home buying supported most economists' belief that the Federal Reserve will not raise interest rates at today's meeting of its Open Market Committee.

Also supporting the bond market was a relatively stable dollar. By late morning, the US currency was stronger against the yen, while modestly weaker against the D-Mark.

■ European government bond markets were treading water yesterday, with investment decisions awaiting the results of today's US Federal Open Market Committee meeting and the Bundesbank Council meeting on Thursday. "There is a lot of nervousness out there," said one analyst.

Many analysts say the price of US Treasuries already reflects an expectation that there will be no increase in short-term interest rates, and they do not expect the Bundesbank Council to cut rates.

GOVERNMENT BONDS

■ German government bonds fell a touch in largely technical trading, with the June bund future on Liffe closing at 91.93, down 0.19 on the day.

Bunds were lifted slightly by preliminary west German March consumer prices, which rose 2.4 per cent, but then the market tested and broke the 92 support level.

Traders now say support is at 91.87, but expect range-bound trading until the Bundesbank Council meeting.

Mr Stefan Schneider at S.G. Warburg in Frankfurt said: "Until Thursday, everything is on hold. There are no economic data which could move the market in any direction."

■ UK government bonds moved lower in quiet trading, as investors focused on the FOMC and the Bundesbank.

One trader said: "Cash is almost non-existent." Action in futures was also slow, with just 22,000 lots traded, a low figure just two days before an auction on Wednesday, when £2bn of 8 per cent gilts due 2015 are to be sold.

Mr Andrew Roberts at UBS in London said: "The auction is playing third string behind the FOMC meeting and the Bundesbank Council."

The long gilt futures contract on Liffe closed at 103 11/32, down 5/32. The UK 10-year yield spread over Germany was around 147 basis points in late trading.

■ Figures for inflation in Italy suggested a rising trend. The producer price index rose by the expected 5.6 per cent, and the wholesale price index by 6 per cent.

Mr Graham McDevitt at Paribas Capital Markets said: "The market is hoping that next week we will get something on pensions reform. Sentiment remains reasonably fragile."

The June BTP future on Liffe broke a support level of 94 and closed at 94.38, up 1.14. The yield spread over bunds was 622 basis points in late trading.

■ The June notional bond futures contract on Matif fell by 0.14 to 112.62. The yield premium of French bonds over German bunds was around 72 basis points.

Hopes rise of debt deal for former Yugoslav republics

By Richard Lapper

Debt traders in London are increasingly optimistic that the former Yugoslav republics may be able to reschedule more than $4.3bn in commercial bank debt – despite recent signs of an escalation of military activity in Bosnia.

Hopes of a series of bilateral deals between bank creditors and the former republics were boosted by news last week that the Croatian government had secured a Paris Club deal to reschedule its government debt.

Any agreement would be likely to lead to a sharp increase in the price of the debt on the secondary market, where paper rescheduled under Yugoslavia's new financing agreement of 1988 is currently trading at about 25 cents in the dollar.

The Croatian government agreed last week to reschedule almost $1bn of debt over 14 years with a grace period of two years, following the failure of earlier efforts to secure more generous terms.

The breakthrough has led traders to believe that other republics could achieve similar deals.

Both Slovenia and Croatia (which accounts for about a quarter of the total debt of the former Yugoslav republics) have held negotiations with creditor banks, while Macedonia (about 6.5 per cent) has held informal meetings with its banks.

None of the republics has been current with their debt obligations since 1992, although Slovenia – which holds about 14 per cent of the overall commercial debt – has been making payments to an escrow account since January 1993.

Austria to scale down steel group privatisation

By Conner Middelmann

Austria's state holding company OIAG said yesterday that it is to scale down the size and terms of a planned sale of shares in specialty steel manufacturer Böhler-Uddeholm.

Only 3m new shares in the company are now to be sold, at a price of Sch550 to Sch600 per share. That compares with original plans to sell 8.25m shares – 5.25m of old shares belonging to OIAG and 3m of new shares – in an indicated price range of Sch650 to Sch750.

INTERNATIONAL EQUITY ISSUES

Creditanstalt is acting as lead manager in Austria. S.G. Warburg is lead manager for the EU and CS First Boston is lead manager for the rest of the world.

The decision was prompted by recent stock-market weakness caused by the fall in the US dollar, which has hit the hard currency markets especially badly, said one of the lead managers. The Austrian ATX index closed at 963.37 yesterday, down 0.4 per cent on the day and 3.1 per cent from March 17.

Moreover, international steel stocks have been under pressure following recent news of price cuts by a US steel manufacturer. "This is a tough sector to be in right now," said one syndicate manager.

Another put the move down largely to negative primary market sentiment, rather than fundamental factors.

"It's mostly a sentiment issue – at this price, Böhler-Uddeholm is a give-away." He added: "The new-issue market is being hit by the fact that many investors have lost a lot of money on IPOs in recent months" and are loath to realising losses on existing holdings to free up funds to invest in new issues.

Although OIAG is likely to be constrained from selling its shares in Böhler-Uddeholm for some time under a lock-up provision, its 5.25m share float is nevertheless expected to overhang the market.

"Everyone knows they want to sell them as soon as they can," said one dealer. This could also weigh on the sale of shares in VA Stahl, the other Austrian steel manufacturer owned by OIAG, which is thought to be scheduled for the second half of the year.

Böhler-Uddeholm is the latest casualty of difficult stock market conditions in Europe.

Last week, two large European IPOs were pulled for the same reason: Sweden's Electrolux withdrew the planned sale of its aluminium and metal-working subsidiary Gränges, and German pharmaceuticals company Schwarz Pharma postponed its planned IPO.

● Repsol SA could increase the amount of its current share offering to 15 per cent of capital from 13.5 per cent on the basis of heavy retail demand so far, Reuters reports.

A spokesman for Repsol said the possibility of raising the amount was envisaged in the Spanish cabinet's approval this month of an offering of up to 15 per cent. A decision will probably not be taken before April 7, however, after response to the institutional tranche is seen.

The state currently owns 40.5 per cent of Repsol through the National Hydrocarbons Institute.

The sale would generate up to Pta160bn at current market prices if the entire 15 per cent were placed.

Repsol shares closed at Pta3,545 yesterday.

World Bank awards mandate for DM3bn global

By Antonia Sharpe

The World Bank yesterday awarded the mandate for its third D-Mark global bond offering to Deutsche Bank and Goldman Sachs. The issue is expected to be launched early next week.

If the offering raises the expected DM3bn it will be the largest single transaction in the D-Mark sector since the supranational's inaugural D-Mark global bond launched in September 1993.

INTERNATIONAL BONDS

The bonds, which are likely to have a maturity of 10 years, are expected to be priced to yield between 12 and 15 basis points over bunds.

Mr Jumersindo Oliveros, senior manager of the European funding division at the World Bank, said he hoped that the dynamics of the book-building process would allow the bank to achieve the lower end of the price range.

He added that the issue would complete the bulk of the World Bank's D-Mark group funding requirements of $5bn equivalent for 1994-95, although there would still be room for some swap-driven transactions.

The bank's total funding programme for the year to end-June is $8.8bn.

Among yesterday's new issues, a 10-year eurobond offering from Nestlé, the Swiss food giant, failed to get the warm reception the market usually gives to its deals.

Syndicate managers said the main problem with the issue was the aggressive pricing of 17 basis points over the yield on Treasuries.

The pricing put off institutional investors, the main buyers of 10-year eurodollar paper, and compared unfavourably with last week's offering from the Inter-American Development Bank, which was yielding around 27 basis points over Treasuries yesterday, they said.

Syndicate managers also noted that Nestlé's bonds were mainly bought by Swiss and Benelux retail investors who preferred maturities of up to five years. They said launching the deal at lunchtime also contributed to the slow start.

The uneasy launch was reflected in the spread, which widened out to around 18½ basis points, but lead manager UBS said it had only bought back $7m once syndicate broke and was confident that the spread would tighten quickly.

UBS kept $198m of the offering and syndicated the remainder to 10 other banks. Nestlé is believed to have left the proceeds in fixed-rate dollars.

Two Spanish banks are expected to enter the eurobond market with subordinated bond issues this week.

Argentaria is likely to become the first issuer of Euro-preferred stock denominated in D-Marks. The novel offering, via Merrill Lynch, is likely to be launched today and to raise between DM200m and DM300m.

Banco Central Hispano Americano is seeking to raise $150m through an offering of 10-year floating-rate notes later this week.

The margin on the offering, via Goldman Sachs, is expected to be around 75 basis points over Libor.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Nestlé Holding	250	7.375	99.94R	Apr.2005	0.325R	+17(7½%-05)	UBS
SWISS FRANCS							
SNCF	200	5.00	103.00	May.2000	2.00	-	Credit Suisse
LUXEMBOURG FRANCS							
Kredietbank Luxembourg	2bn	7.875	102.85	May.2002	1.875	-	Kredietbank Luxembourg
Paribel Intl. Finance(a)	2bn	7.75	102.25	Jul.2000	1.75	-	Paribas Luxembourg

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. R: fixed re-offer price; fees shown at re-offer level. a) Long 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	93.4500	+0.840	10.09	10.22	10.18
Austria		7.500	01/05	100.5000	+0.010	7.42	7.43	7.67
Belgium		7.750	10/04	97.8900	-0.010	8.06	8.07	8.28
Canada *		9.000	12/04	101.2000	+0.400	8.81	8.67	8.83
Denmark		7.000	12/04	87.9700	-0.130	8.89	8.98	8.88
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	97.2700	-0.150	7.89	7.95	7.96
Germany Bund		7.375	01/05	101.3200	-0.200	7.18	7.13	7.37
Ireland		6.250	10/04	83.0500	-	8.81†	8.81	8.79
Italy		9.500	01/05	81.1300	+0.850	12.96	13.27	11.96
Japan	No 119	4.800	06/99	106.6190	+0.353	3.11	3.21	3.84
	No 174	4.600	09/04	104.9120	-0.400	3.89	3.96	4.59
Netherlands		7.750	03/05	102.9300	+0.030	7.32	7.34	7.52
Portugal		11.875	02/05	98.5000	-	12.13	11.98	11.85
Spain		10.000	02/05	88.7900	-0.060	12.36	12.68	11.44
Sweden		6.000	02/05	69.7120	+0.239	11.23	11.32	10.68
UK Gilts		6.000	08/99	91-21	-1/32	8.33	8.36	8.49
		8.500	12/05	100-11	-8/32	8.45	8.44	8.58
		9.000	10/08	104-12	-8/32	8.45	8.44	8.57
US Treasury *		7.500	02/05	103-00	+7/32	7.07	7.11	7.39
		7.625	02/25	103-03	+5/32	7.37	7.38	7.54
ECU (French Govt)		8.000	04/04	85.3200	-0.010	8.37	8.49	8.39

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

Prime rate	9	One month	5.87	Two year	6.63
Broker loan rate	6½	Two month	5.77	Three year	6.74
Fed.funds	6 1/16	Three month	5.83	Five year	6.92
Fed.funds at intervention	-	Six month	6.08	10-year	7.07
		One year	6.27	30-year	7.37

Treasury Bills and Bond Yields

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	112.80	112.62	-0.14	112.96	112.60	71,026	113,650
Sep	112.42	112.12	-0.20	112.42	112.20	161	6,095
Dec	112.32	112.02	-0.20	112.32	112.32	2	1,539

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls Jun	Calls Sep	Puts Apr	Puts Jun	Puts Sep
110	-	2.98	-	-	0.36	-
111	1.63	-	-	0.03	0.57	-
112	0.70	1.50	1.85	0.08	0.88	1.68
113	0.15	0.92	-	0.50	1.30	-
114	0.03	0.52	-	-	-	-

Est. vol. total, Calls 15,781 Puts 14,221. Previous day's open int., Calls 184,282 Puts 223,225.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.28	92.03	-0.09	92.31	91.92	75514	179255
Sep	91.70	91.55	-0.09	91.74	91.53	288	2151

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9200	0.54	0.81	0.75	0.98	0.51	0.78	1.20	1.41
9250	0.33	0.58	0.56	0.77	0.80	1.05	1.51	1.72
9300	0.18	0.40	0.40	0.60	1.15	1.37	1.85	2.05

Est. vol. total, Calls 7703 Puts 8945. Previous day's open int., Calls 120339 Puts 107033

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.35	94.22	+0.98	94.48	93.35	43241	49533
Sep	-	93.57	+0.98	-	-	0	37

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9400	1.81	2.54	1.59	2.97
9450	1.54	2.32	1.82	3.25
9500	1.31	2.11	2.09	3.54

Est. vol. total, Calls 2472 Puts 3002. Previous day's open int., Calls 39718 Puts 28383

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	81.40	81.27	+0.02	81.70	81.16	37,326	45,140

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103-07	103-04	-0-04	103-09	103-01	400	8353
Jun	103-18	103-08	-0-06	103-18	103-04	24030	85370

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
103	1-01	1-28	1-43	2-03	0-49	1-12	1-41	2-01
104	0-35	0-60	1-14	1-38	1-19	1-44	2-12	2-36
105	0-16	0-37	0-56	1-14	2-00	2-21	2-54	3-12

Est. vol. total, Calls 3751 Puts 2261. Previous day's open int., Calls 26390 Puts 38150

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	82.58	82.44	-0.08	82.66	82.44	1,615	7,908

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	104-15	104-13	+0-01	104-16	104-09	397,706	333,812
Sep	104-01	103-31	-	104-01	103-29	1,148	17,434
Dec	-	103-17	-	-	-	23	1,447

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	112.90	-	-	112.90	112.55	2881	0
Sep	112.11	-	-	112.11	112.11	1	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Mar 27	Day's change %	Fri Mar 24	Accrued interest	xd adj. ytd		Low coupon yield Mar 27	Mar 24	Yr. ago	Medium coupon yield Mar 27	Mar 24	Yr. ago	High coupon yield Mar 27	Mar 24	Yr. ago
1 Up to 5 years (24)	119.58	+0.05	119.77	1.59	2.89	5 yrs	8.38	8.38	7.19	8.42	8.42	7.43	8.56	8.55	7.53
2 5-15 years (21)	140.96	-0.05	141.03	2.06	3.18	15 yrs	8.36	8.35	7.77	8.45	8.44	7.89	8.66	8.65	8.16
3 Over 15 years (9)	157.46	-0.08	157.58	1.58	4.05	20 yrs	8.34	8.33	7.96	8.45	8.44	7.89	8.60	8.59	8.06
4 Irredeemables (6)	181.49	+0.15	181.21	3.23	1.47	Irred.†	8.39	8.40	7.91						
5 All stocks (60)	137.68	-0.02	137.80	1.84	3.22										

Index-linked	Mon Mar 27	Day's change %	Fri Mar 24	Accrued interest	xd adj. ytd		Inflation 5% Mar 27	Mar 24	Yr. ago	Inflation 10% Mar 27	Mar 24	Yr. ago
6 Up to 5 years (2)	190.11	+0.01	190.10	-0.09	2.57	Up to 5 yrs	3.53	3.53	3.18	2.09	2.08	2.24
7 Over 5 years (11)	175.96	-0.11	176.15	0.73	1.28	Over 5 yrs	3.86	3.85	3.46	3.89	3.85	3.27
8 All stocks (13)	176.52	-0.10	176.69	0.65	1.40							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 27	Mar 24	Mar 23	Mar 22	Mar 21	Yr ago	High*	Low*
Govt. Secs. (UK)	91.99	91.96	91.74	91.69	92.01	96.81	107.04	89.54
Fixed Interest	110.51	110.42	110.46	110.57	110.58	117.78	133.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20
Gilt Edged bargains	87.9	94.8	98.0	118.0	96.5
5-day average	98.7	100.1	98.7	106.2	99.2

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	1994/95 Low
Shorts" (Lives up to Five Years)							
Exch 3pc Gas 1990-95		3.01	5.38	99⅝xd	—	103⅛	97¾
10¼pc 1995		10.12	6.32	101 5/32	—	107 13/16	101 5/32
Treas 12¾pc 1995‡‡		12.29	6.50	103¾	—	113⅝	103¾
14pc 1996		13.25	6.77	105 11/16	—	117 3/16	105 11/16
15¼pc 1996‡‡		14.04	7.00	108⅝xd	—	121 13/16	108 7/16
Conversion 8½pc 2004		8.95	8.55	106¼xd	-⅛	125 3/16	[illegible]
Treas 6¾pc 2004‡‡		7.59	8.46	88 [illegible]	-3/32	105¼	[illegible]
8½pc 2005‡‡		8.47	8.44	100 [illegible]	-⅛	100 [illegible]	97
Conv 9½pc 2005		8.92	8.53	106½xd	-⅛	125½	102⅛
Treas 12½pc 2003-5		10.27	8.74	122 [illegible]	-⅛	143 7/16	118⅛
7¾pc 2006‡‡		8.17	8.46	94⅞	-3/32	112 [illegible]	90⅛

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	1994/95 High	1994/95 Low
2pc '96	(67.9)	1.84	3.44	206 [illegible]	—	208 [illegible]	197 [illegible]
4⅝pc '98‡‡	(135.6)	2.70	3.64	108 [illegible]xd	—	113 [illegible]	105 [illegible]
2½pc '01	(78.3)	3.38	3.84	168 [illegible]	-3/32	176⅞	163½
2½pc '03	(78.8)	3.49	3.85	164 [illegible]	-3/32	173⅝	159 [illegible]
4⅜pc '04‡‡	(135.6)	3.51	3.85	109¾xd	-3/32	118¾	107⅛

Other Fixed Interest

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on March 27

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92¾	93	+¼	7.73
Alberta Province 7⅝ 98	1000	101¼	101½	+¼	7.20
Austria 8½ 00	400	105	105⅜	+⅛	7.23
Baden-Wuert L-Fin 8⅛ 00	1000	103⅜	103⅝	+¼	7.26
Bank Ned Gemeenten 7 99	1000	99⅝	99⅞	+⅛	7.09
United Kingdom 7¼ 97	5500	102⅝	102¾	+⅛	5.98
Volkswagen Intl Fin 7 03	1000	96½	97⅛	+⅛	7.58
World Bank 0 15	2000	22	22½	-½	7.58
World Bank 5⅞ 03	3000	90⅞	91	-⅛	7.33
World Bank 8¾ 00	1250	110½	111		6.28
Abbey Natl Treasury 8 03 £	1000	93⅜	93⅝	-⅛	9.20
Alliance Leics 11⅜ 97 £	100	105⅜	105¾	-⅛	8.47
British Land 8⅞ 23 £	150	89¼	89⅝	-¼	10.27
Denmark 6¾ 98 £	800	94⅜	94⅞	+⅛	8.57
EIB 8 03 £	1000	94⅞	95⅛	-⅛	8.90
Halifax 10⅜ 97 £	100	103⅝	103⅞		8.28

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar loses ground in late thin trading

The dollar weakened in late European trading yesterday as selling, thought to be by a US-based fund, injected some life into an otherwise lacklustre market.

Trading was thin in most currencies ahead of today's meeting in Washington of the Federal Open Market Committee and Thursday's meeting of the Bundesbank Council.

The dollar's late decline, which clipped about ¼ a pfennig off the London closing rate of DM1.4087 and pushed the US currency below 89 yen, had an adverse impact on sterling. The pound had been buoyed by Mr Eddie George, the governor of the Bank of England, who remarked in Helsinki that sterling's recent weakness had been no more than a wobble.

Currencies in the European exchange rate mechanism closed little changed. Although analysts generally do not expect any rise in US or fall in German short term interest rates to emerge from this week's central bank deliberations, the slim possibility of change was enough to subdue market activity and give hard pressed currencies such as the French franc, Spanish peseta and Italian lira a respite from D-Mark strength.

■ The dollar's late tumble provided one of the few talking points in a market otherwise becalmed ahead of the FOMC meeting. Although the decline took place in a thin market, it was seen by some analysts as a harbinger of further weakness in the event of a decision to keep US rates unchanged. However, any move by the Fed to raise rates would be certain to catch the market unprepared: a Reuter poll of 30 US economists yesterday found that none expected any change in policy following the recent easing of activity in the housing and retail sectors.

Before its decline in late trading, the dollar had closed in London at DM1.4087, down from DM1.4128 on Friday, but higher against the yen at Y89.305 against 88.725. It weakened slightly against the pound, which closed in London at $1.5965 against $1.5932 previously.

The surprise news that Mr John LaWare was resigning as a governor of the Federal Reserve Board came after European trading. It had no market impact and was not expected to affect the outcome of the FOMC meeting.

■ The dollar's woes helped push the pound down by more than 1¼ pfennigs from early highs against the D-mark. It closed in London at DM2.249, little changed from Friday's DM2.2509, after touching DM2.26 at one point. Sterling then fluctuated between DM2.245 and 2.24 in late dealing.

Strong economic fundamentals, exemplified by Friday's news of a sharp reduction in the current account deficit last year, were offset by the continuing political weakness of Mr John Major's Conservative government. Mr Adrian Cunningham, senior currency economist at UBS in London, said sterling held up relatively well following weekend suggestions that Mr Major might face a challenge to his leadership from within his party.

Aiding sentiment were Mr George's observations that the recent weakness of sterling was nothing more than a "wobble". On its trade weighted index, the measure watched most closely by both the Treasury and Bank of England, sterling closed at 85.4, down from 85.6 on Friday, but safely above recent lows.

■ Early profit-taking in the D-Mark helped the Swiss Franc touch a four year high against the German currency and brought relief to the embattled currencies of southern Europe. The D-mark closed at 0.824 Swiss Francs against 0.829 on Friday and at 3.518 French francs, unchanged from Friday.

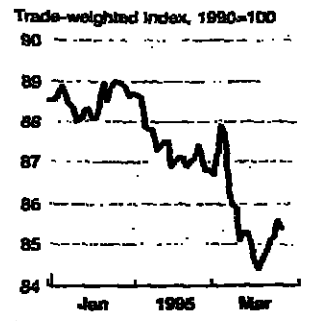
The German currency was slightly easier against the peseta at Pta91.64 against Pta91.83 previously. The Italian Lira also posted modest gains closing at L1209 against the D-mark against L1218 before the weekend.

However, there was little optimism that European currencies would stay calm, if, as expected, the Bundesbank decides against cutting interest rates on Thursday.

Italy's political and budget problems remain grievous while Italian producer and wholesale price data yesterday provided new evidence of growing inflationary pressures. The French franc appears vulnerable to falling business optimism and jitters ahead of the French presidential elections next month.

Sterling

Trade-weighted index, 1990=100



Source: Bank of England

■ **Pound in New York**

Mar 27	Latest	Prev close
£ spot	1.5980	1.5935
1 mth	1.5978	1.5932
3 mth	1.5967	1.5921
1 yr	1.5854	1.5812

■ **OTHER CURRENCIES**

Mar 27	£	$
Hungary	191.444 - 191.652	119.930 - 120.030
Iran	2791.04 - 2793.92	1743.00 - 1750.00
Kuwait	0.4730 - 0.4733	0.2963 - 0.2964
Poland	3.7705 - 3.7782	2.3520 - 2.3650
Russia	7782.34 - 7785.14	4874.00 - 4877.00
U.A.E.	5.8624 - 5.8647	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Mar 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8292	-0.0139	233 - 351	15.9083	15.7561	15.8168	0.9	15.783	1.2	-	-	107.9
Belgium	(BFr)	46.2881	-0.1354	719 - 043	46.5730	46.2710	46.2881	0.0	46.2731	0.1	45.8781	0.9	110.3
Denmark	(DKr)	8.9157	-0.0262	121 - 192	8.9655	8.9118	8.9257	-1.3	8.939	-1.0	8.8905	0.3	109.2
Finland	(FM)	7.0066	-0.017	017 - 114	7.0450	6.9990	-	-	-	-	-	-	88.4
France	(FFr)	7.9107	-0.0087	081 - 132	7.9498	7.8905	7.9252	-2.2	7.9488	-1.9	7.925	-0.2	109.9
Germany	(DM)	2.2490	-0.0019	482 - 498	2.2606	2.2472	2.2464	1.4	2.2403	1.6	2.204	2.0	113.4
Greece	(Dr)	367.211	-1.615	085 - 337	369.651	367.070	-	-	-	-	-	-	68.6
Ireland	(I£)	0.9970	-0.0026	966 - 974	1.0010	0.9959	0.9963	0.8	0.9957	0.5	0.9971	0.0	96.7
Italy	(L)	2718.40	-22.38	690 - 990	2757.90	2716.44	2728.5	-4.5	2750.06	-4.7	2832.4	-4.2	65.6
Luxembourg	(LFr)	46.2881	-0.1354	719 - 043	46.5730	46.2710	46.3031	-0.4	46.2681	0.2	45.9581	0.7	110.3
Netherlands	(Fl)	2.5205	-0.0024	198 - 212	2.5410	2.5160	2.5178	1.3	2.5112	1.5	2.4726	1.9	110.2
Norway	(NKr)	9.9999	-0.0214	970 - 027	10.0628	9.99650	9.9906	1.1	9.9747	1.0	9.8709	1.3	99.9
Portugal	(Es)	236.027	-0.858	917 - 136	237.600	235.910	236.822	-4.0	238.532	-4.2	-	-	97.2
Spain	(Pta)	206.108	-0.61	003 - 214	208.994	205.961	206.738	-3.7	207.838	-3.4	212.483	-3.1	77.3
Sweden	(SKr)	11.6213	-0.0383	126 - 299	11.6997	11.6038	11.6234	-0.2	11.6273	-0.2	11.839	-0.2	78.7
Switzerland	(SFr)	1.8536	-0.0121	525 - 548	1.8700	1.8520	1.8492	2.8	1.8403	2.9	1.7915	3.3	114.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.4
Ecu	-	1.2278	-0.0032	274 - 281	1.2348	1.2273	1.2285	-0.7	1.2292	-0.5	1.2242	0.3	-
SDR†	-	1.03395	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5971	+0.0046	968 - 973	1.6000	1.5903	-	-	-	-	-	-	-
Brazil	(R$)	1.4488	+0.0021	462 - 514	1.4518	1.4371	-	-	-	-	-	-	-
Canada	(C$)	2.2358	+0.0001	351 - 365	2.2392	2.2256	2.2393	-1.9	2.2446	-1.6	2.2458	-0.4	81.1
Mexico	(New Peso)	10.8802	-0.0571	389 - 214	10.9216	10.7896	-	-	-	-	-	-	-
USA	($)	1.5965	+0.0033	963 - 967	1.5995	1.5897	1.5962	0.2	1.5951	0.4	1.5841	0.8	90.7
Pacific/Middle East/Africa													
Australia	(A$)	2.2010	+0.0136	000 - 020	2.2025	2.1996	2.2039	-1.6	2.2098	-1.6	2.2335	-1.5	80.2
Hong Kong	(HK$)	12.3446	+0.0255	426 - 465	12.3672	12.2932	12.3442	0.0	12.3449	0.0	12.3382	0.1	-
India	(Rs)	50.4614	+0.1083	431 - 797	50.5440	50.0960	-	-	-	-	-	-	-
Israel	(Shk)	4.7648	-0.0009	602 - 693	4.7810	4.7568	-	-	-	-	-	-	-
Japan	(Y)	142.576	+1.219	518 - 633	142.930	141.180	142.086	4.1	140.991	4.4	135.081	5.3	161.5
Malaysia	(M$)	4.0542	-0.0005	528 - 555	4.0619	4.0378	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4647	+0.0145	630 - 663	2.4668	2.4626	2.4708	-3.0	2.4812	-2.7	2.5013	-1.5	96.9
Philippines	(Peso)	41.4292	+0.1652	845 - 739	41.6800	41.1771	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9878	+0.0125	868 - 887	5.9986	5.9625	-	-	-	-	-	-	-
Singapore	(S$)	2.2702	+0.0062	691 - 713	2.2753	2.2588	-	-	-	-	-	-	-
South Africa	(R)	5.7570	+0.0035	547 - 593	5.7894	5.7319	-	-	-	-	-	-	-
South Korea	(Won)	1228.27	+0.31	803 - 850	1230.50	1223.12	-	-	-	-	-	-	-
Taiwan	(T$)	41.5737	+0.1549	628 - 845	41.6462	41.3768	-	-	-	-	-	-	-
Thailand	(Bt)	39.4815	+0.1294	685 - 944	39.5480	39.3210	-	-	-	-	-	-	-

†SDR rates per £ for Mar 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	9.9150	-0.0292	125 - 174	9.9775	9.9120	9.905	1.2	9.8845	1.2	9.814	1.0	107.6
Belgium	(BFr)	28.9935	-0.145	870 - 000	29.2050	28.9850	28.9985	-0.2	29.0085	-0.2	28.9635	0.1	109.6
Denmark	(DKr)	5.5845	-0.028	830 - 860	5.6280	5.5826	5.5915	-1.5	5.604	-1.4	5.6395	-1.0	107.8
Finland	(FM)	4.3887	-0.0198	862 - 912	4.4171	4.3859	4.3907	-0.5	4.3907	-0.2	4.3987	-0.2	85.2
France	(FFr)	4.9550	-0.0158	540 - 560	4.9965	4.9430	4.9641	-2.2	4.979	-1.9	4.995	-0.8	109.0
Germany	(DM)	1.4087	-0.0041	084 - 090	1.4198	1.4078	1.4073	1.2	1.4045	1.2	1.3917	1.2	112.5
Greece	(Dr)	230.010	-1.49	960 - 060	232.120	229.940	232.51	-13.0	236.78	-11.7	254.51	-10.7	67.7
Ireland	(I£)	1.6013	+0.0075	008 - 018	1.6041	1.5919	1.6021	-0.6	1.6046	-0.8	1.6145	-0.8	-
Italy	(L)	1702.73	-17.57	200 - 345	1733.00	1701.40	1709.48	-4.8	1724.73	-5.2	1786.73	-4.9	64.8
Luxembourg	(LFr)	28.9935	-0.145	870 - 000	29.2050	28.9850	28.9985	-0.2	29.0085	-0.2	28.9635	0.1	109.6
Netherlands	(Fl)	1.5788	-0.0047	785 - 790	1.5940	1.5775	1.5774	1.1	1.5743	1.1	1.5609	1.1	109.4
Norway	(NKr)	6.2636	-0.0264	626 - 646	6.3049	6.2619	6.2571	1.2	6.2486	1.0	6.2241	0.6	98.6
Portugal	(Es)	147.840	-0.845	790 - 890	148.760	147.720	148.4	-4.5	149.61	-4.8	154.59	-4.6	97.0
Spain	(Pta)	129.100	-0.66	050 - 150	129.980	129.000	129.52	-3.9	130.31	-3.7	134.275	-4.0	76.8
Sweden	(SKr)	7.2792	-0.0391	747 - 837	7.3500	7.2701	7.293	-2.3	7.3227	-2.4	7.4707	-2.6	77.6
Switzerland	(SFr)	1.1610	-0.01	605 - 615	1.1750	1.1605	1.1584	2.6	1.1537	2.5	1.1318	2.5	114.2
UK	(£)	1.5965	+0.0033	963 - 967	1.5995	1.5897	1.5962	0.2	1.5951	0.4	1.5841	0.8	84.8
Ecu	-	1.3004	+0.0062	001 - 006	1.3008	1.2912	1.2994	0.9	1.2977	0.8	1.2943	0.5	-
SDR†	-	0.64743	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0004	+0.0008	003 - 004	1.0004	1.0002	-	-	-	-	-	-	-
Brazil	(R$)	0.9075	-0.0005	060 - 090	0.9110	0.9060	-	-	-	-	-	-	-
Canada	(C$)	1.4005	-0.0028	002 - 007	1.4008	1.3985	1.403	-2.1	1.4074	-2.0	1.4193	-1.3	79.8
Mexico	(New Peso)	6.8150	-0.05	900 - 400	6.8400	6.7100	6.8173	-0.4	6.8205	-0.3	6.8253	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	92.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3786	+0.0057	782 - 791	1.3837	1.3770	1.3804	-1.6	1.3852	-1.9	1.4098	-2.3	81.7
Hong Kong	(HK$)	7.7323	-	320 - 325	7.7325	7.7319	7.7312	0.2	7.7353	-0.2	7.7708	-0.5	-
India	(Rs)	31.6075	+0.0025	000 - 150	31.6470	31.4200	31.6875	-3.0	31.9325	-4.1	-	-	-
Israel	(Shk)	2.9845	-0.0068	820 - 870	3.0007	2.9812	-	-	-	-	-	-	-
Japan	(Y)	89.3050	+0.58	800 - 300	89.7700	88.5600	89.015	3.9	88.395	4.1	85.29	4.5	163.1
Malaysia	(M$)	2.5394	-0.0056	389 - 399	2.5458	2.5380	2.5374	0.9	2.535	0.7	2.5294	0.4	-
New Zealand	(NZ$)	1.5437	+0.0059	430 - 446	1.5491	1.5422	1.5475	-3.0	1.5555	-3.1	1.5788	-2.3	-
Philippines	(Peso)	25.9500	+0.05	000 - 000	26.1000	25.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 507	3.7510	3.7504	3.7515	-0.3	3.7536	-0.3	3.7656	-0.4	-
Singapore	(S$)	1.4220	+0.001	215 - 225	1.4225	1.4174	1.4167	4.4	1.4085	3.8	1.382	2.8	-
South Africa	(R)	3.6060	-0.0053	050 - 070	3.6145	3.6015	3.624	-6.0	3.6613	-6.1	3.8552	-6.9	-
South Korea	(Won)	769.350	-1.4	300 - 400	770.200	769.300	772.35	-4.7	775.85	-3.4	794.35	-3.2	-
Taiwan	(T$)	26.0405	+0.0432	370 - 440	26.0445	26.0100	26.0605	-0.9	26.1005	-0.9	-	-	-
Thailand	(Bt)	24.7300	+0.03	250 - 350	24.7350	24.7080	24.761	-1.0	24.7775	-0.8	24.865	-0.5	-

†SDR rate per $ for Mar 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 23. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

March 27	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	5⅞	5⅝	6⅝	6¼	6¾	7.40	4.50	-
week ago	4⅞	5⅝	6¾	6⅜	6⅞	7.40	4.50	-
France	7⅝	8	8	7⅞	7½	5.00	-	8.00
week ago	7⅞	8	8¾	8½	8½	5.00	-	8.00
Germany	4.57	4.95	5.00	5.10	5.35	6.00	4.50	4.85
week ago	4.88	4.95	5.00	5.13	5.45	6.00	4.50	4.85
Ireland	5¾	6¾	7	7⅛	7⅝	-	-	6.25
week ago	5¾	6¾	7	7⅜	7⅝	-	-	6.25
Italy	10⅝	10⅞	11⅛	11⅛	11¾	-	7.50	10.15
week ago	10⅝	10⅞	11⅞	12⅛	12⅝	-	7.50	10.40
Netherlands	4.97	5.02	5.10	5.22	5.51	-	5.25	-
week ago	4.97	5.02	5.10	5.27	5.62	-	5.25	-
Switzerland	3⅝	3⅝	3⅝	3⅞	4	6.625	3.50	-
week ago	3⅝	3¾	3⅞	3⅞	4⅛	6.625	3.50	-
US	6	6⅛	6⅜	6⅝	6¾	-	5.25	-
week ago	5⅞	6⅛	6⅜	6⅝	6⅞	-	5.25	-
Japan	2⅜	2⅜	2¼	2⅛	2⅛	-	1.75	-
week ago	2⅜	2⅜	2¼	2⅜	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6¼	6⅝	6⅞	-	-	-
week ago	-	6⅛	6¼	6⅝	6¾	-	-	-
US Dollar CDs	-	5.84	6.06	6.23	6.51	-	-	-
week ago	-	5.84	6.08	6.20	6.53	-	-	-
SDR Linked Ds	-	4⅝	4⅞	4¾	4⅞	-	-	-
week ago	-	4⅝	4⅞	5⅛	5⅜	-	-	-

ECU Linked Ds mid rates: 1 mth: 6¾; 3 mths: 6¾; 6 mths: 6⅞; 1 year: 7¼. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6⅛ - 5⅞	6⅛ - 6	6⅝ - 6½	6⅞ - 6⅝	6⅞ - 6¾	6⅞ - 6⅝
Danish Krone	7⅛ - 6⅞	7⅛ - 6⅞	7⅞ - 7⅝	7⅞ - 7⅝	7⅞ - 7½	7⅞ - 7½
D-Mark	4⅞ - 4⅞	4⅞ - 4¾	4⅞ - 4¾	5 - 4⅞	5⅛ - 4⅞	5⅝ - 5⅜
Dutch Guilder	5 - 4⅞	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 5	5⅜ - 5⅛	5⅞ - 5⅝
French Franc	8 - 7⅞	8¼ - 8	8½ - 8¼	8½ - 8¼	8¼ - 8	7¾ - 7½
Portuguese Esc.	10¾ - 10½	11 - 10⅞	11 - 10½	11⅜ - 10⅞	11½ - 11¼	11⅞ - 11⅜
Spanish Peseta	8⅞ - 8⅞	8⅞ - 8⅞	9¾ - 9⅝	9¾ - 9⅝	10⅛ - 10	10⅞ - 10⅝
Sterling	6⅞ - 6¼	6⅞ - 6¼	6⅞ - 6¼	6⅞ - 6⅞	7⅛ - 6⅞	7⅞ - 7½
Swiss Franc	3⅞ - 3⅝	3⅞ - 3⅝	3⅝ - 3½	3⅝ - 3½	3⅞ - 3⅝	4 - 3⅞
Can. Dollar	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8
US Dollar	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 6	6¾ - 6⅛	6⅞ - 6⅝	6⅞ - 6⅝
Italian Lira	10½ - 9	10⅛ - 10	10⅞ - 10⅝	11⅛ - 10⅞	11¼ - 11⅛	11¾ - 11⅝
Yen	2¼ - 2⅛	2⅛ - 2⅛	2¼ - 2⅛	2⅛ - 2⅛	2⅛ - 2	2⅛ - 2
Asian $Sing	2¾ - 2⅝	2⅞ - 2¼	2⅞ - 2⅛	2⅝ - 2½	2⅞ - 2¾	3⅜ - 3⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.68	92.76	+0.19	92.79	92.60	40,410	55,218
Sep	93.24	93.29	+0.05	93.31	93.21	10,676	34,547
Dec	93.32	93.32	-	93.38	93.30	4,016	21,196
Mar	93.24	93.20	+0.01	93.24	93.18	1,631	16,611

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.62	93.63	+0.07	93.62	93.62	5	570
Sep	93.42	93.43	+0.07	93.42	93.42	5	384
Dec	-	93.23	+0.07	-	-	0	270
Mar	-	93.22	+0.08	-	-	0	0

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.99	94.96	-0.03	94.99	94.94	25450	189975
Sep	94.79	94.75	-0.05	94.79	94.72	25968	168449
Dec	94.52	94.49	-0.05	94.55	94.48	23297	126101
Mar	94.23	94.21	-0.08	94.26	94.20	5367	66238

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	88.25	88.51	+0.20	88.60	88.25	9222	41175
Sep	88.57	88.60	+0.10	88.75	88.50	1946	24347
Dec	88.67	88.64	+0.08	88.75	88.60	1393	13867
Mar	88.50	88.59	+0.10	88.66	88.50	823	7975

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.24	96.24	-	96.27	96.21	2144	23205
Sep	96.14	96.13	-0.01	96.17	96.10	1086	7707
Dec	95.96	95.93	-	95.97	95.92	595	6023
Mar	95.76	95.74	-0.01	95.76	95.76	25	1060

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.15	93.15	+0.02	93.18	93.11	1988	8758
Sep	93.11	93.14	+0.03	93.17	93.10	607	4460
Dec	93.00	92.93	+0.03	93.00	92.93	175	2942
Mar	92.68	92.67	+0.03	92.71	92.67	71	1952

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.26	17.09	4.859	2.154	5872	5.446	21.60	509.8	445.2	25.10	4.005	2.160	4.830	3.450	308.1	2.653
Denmark	(DKr)	51.92	10	8.873	2.522	1.118	3048	2.828	11.21	264.7	231.2	13.03	2.079	1.122	2.508	1.791	159.9	1.377
France	(FFr)	58.51	11.27	10	2.843	1.260	3436	3.187	12.64	298.3	260.5	14.69	2.344	1.264	2.826	2.019	180.3	1.552
Germany	(DM)	20.58	3.964	3.518	1	0.443	1209	1.121	4.446	104.9	91.64	5.167	0.824	0.445	0.994	0.710	63.41	0.546
Ireland	(I£)	46.43	8.943	7.935	2.256	1	2726	2.529	10.03	236.7	206.7	11.65	1.860	1.003	2.243	1.602	143.0	1.232
Italy	(L)	1.703	0.328	0.291	0.083	0.037	100.	0.093	0.368	8.683	7.583	0.428	0.068	0.037	0.082	0.059	5.247	0.045
Netherlands	(Fl)	18.36	3.537	3.138	0.892	0.395	1078	1	3.966	93.61	81.75	4.609	0.735	0.397	0.887	0.633	56.56	0.487
Norway	(NKr)	46.29	8.917	7.912	2.249	0.997	2718	2.521	10	236.0	206.1	11.62	1.854	1.000	2.236	1.597	142.6	1.228
Portugal	(Es)	19.61	3.778	3.352	0.953	0.422	1152	1.068	4.237	100.	87.33	4.924	0.786	0.424	0.947	0.677	60.42	0.520
Spain	(Pta)	22.46	4.326	3.838	1.091	0.484	1319	1.223	4.852	114.5	100.	5.638	0.900	0.485	1.085	0.775	69.19	0.596
Sweden	(SKr)	39.84	7.673	6.808	1.935	0.858	2339	2.170	8.605	203.1	177.4	10	1.596	0.861	1.924	1.374	122.7	1.057
Switzerland	(SFr)	24.97	4.809	4.267	1.213	0.538	1466	1.360	5.393	127.3	111.2	6.268	1	0.539	1.206	0.861	76.91	0.662
UK	(£)	46.29	8.916	7.911	2.249	0.997	2718	2.521	9.999	236.0	206.1	11.62	1.854	1	2.236	1.597	142.6	1.228
Canada	(C$)	20.70	3.987	3.538	1.006	0.446	1216	1.127	4.472	105.5	92.17	5.197	0.829	0.447	1	0.714	63.77	0.549
US	($)	28.99	5.583	4.954	1.408	0.624	1702	1.579	6.261	147.8	129.1	7.276	1.161	0.626	1.400	1	89.29	0.769
Japan	(Y)	32.46	6.252	5.548	1.577	0.699	1906	1.768	7.012	165.5	144.5	8.149	1.300	0.701	1.568	1.120	100.	0.861
Ecu		37.70	7.261	6.442	1.831	0.812	2213	2.053	8.143	192.2	167.8	9.463	1.510	0.814	1.821	1.300	116.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7075	0.7082	+0.0011	0.7106	0.7073	26,769	52,847
Sep	0.7118	0.7106	+0.0023	0.7118	0.7118	67	1,855
Dec	-	0.7120	-	-	-	53	374

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.1374	1.1292	-0.0058	1.1397	1.1249	25,380	57,055
Sep	1.1534	1.1422	-0.0058	1.1534	1.1415	73	2,320
Dec	-	1.1618	-	-	-	14	364

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8595	0.8610	+0.0047	0.8628	0.8587	12,642	27,183
Sep	0.8663	0.8671	+0.0051	0.8671	0.8658	28	2,302
Dec	-	0.8679	-	-	-	5	134

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5932	1.5928	+0.0012	1.5934	1.5900	6,979	21,406
Sep	1.5910	1.5900	+0.0012	1.5910	1.5900	5	149
Dec	-	1.5860	-	1.5860	-	2	11

UK INTEREST RATES

LONDON MONEY RATES

Mar 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 4¼	6⅜ - 6	6⅞ - 6⅞	6¾ - 6½	7⅛ - 6⅞	7⅞ - 7½
Sterling CDs	-	-	6⅞ - 6¼	6⅝ - 6½	7 - 6⅞	7½ - 7⅛
Treasury Bills	-	-	6⅛ - 6	6⅝ - 6⅝	-	-
Bank Bills	-	-	6⅞ - 6⅞	6⅞ - 6⅝	6⅞ - 6⅞	-
Local authority deps.	6⅞ - 6⅛	6⅞ - 6⅞	6⅞ - 6⅝	6⅝ - 6½	7⅛ - 6⅞	7⅞ - 7⅞
Discount Market deps	6¼ - 6⅛	7¼ - 5½	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5⅛	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 6.0805pc. ECGD fixed rate Stlg. Export Finance. Make up day Feb 28, 1995. Agreed rate for period Mar 26, 1995 to Apr 25, 1995, Schemes II & III 8.08pc. Reference rate for period Feb 1, 1995 to Feb 28, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from Mar 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.69	92.72	+0.03	92.74	92.69	18260	89268
Sep	92.31	92.33	+0.03	92.36	92.31	12393	63007
Dec	92.01	92.01	+0.02	92.05	91.99	7753	56944
Mar	91.77	91.74	+0.02	91.77	91.72	2238	39560

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9250	0.37	0.30	0.31	0.15	0.47	0.80
9275	0.20	0.20	0.22	0.23	0.62	0.96
9300	0.10	0.12	0.14	0.38	0.79	1.13

Est. vol. total, Calls 10172 Puts 4916. Previous day's open int., Calls 176507 Puts 130566

EMS EUROPEAN CURRENCY UNIT RATES

Mar 27	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.08033	+0.00565	-3.34	8.17	-
Belgium	39.3960	38.2192	+0.0447	-2.99	7.79	22
Germany	1.91007	1.85603	+0.00517	-2.83	7.60	-8
Austria	13.4383	13.0831	+0.0354	-2.79	7.56	-
Portugal	195.792	194.785	+0.02	-0.51	5.10	3
Denmark	7.28580	7.36052	-0.00677	1.03	3.50	-7
France	6.40608	6.51645	-0.01911	1.72	2.79	-15
Ireland	0.792214	0.821343	-0.00151	3.68	0.85	-25
Spain	162.493	169.903	-0.653	4.56	0.00	-32
NON ERM MEMBERS						
Greece	292.867	303.091	+0.246	3.49	1.03	-
Italy	2106.15	2249.05	-16.29	6.78	-2.08	-
UK	0.786652	0.823405	-0.000417	4.67	-0.11	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
1.525	6.91	7.25	7.68	0.06	0.47	1.01
1.550	4.67	5.28	5.88	0.31	0.98	1.67
1.575	2.76	3.60	4.32	0.89	1.77	2.53
1.600	1.41	2.32	3.05	1.98	2.88	3.72
1.625	0.59	1.39	2.11	3.61	4.43	5.20
1.650	0.19	0.76	1.38	5.70	6.28	6.93

Previous day's vol., Calls 3,954 Puts 4,731. Prev. day's open int., Calls 230,289 Puts 319,979

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.58	93.62	+0.03	93.62	93.58	77,768	520,111
Sep	93.41	93.41	+0.02	93.42	93.40	94,279	326,334
Dec	93.20	93.22	+0.02	93.23	93.20	63,636	252,783

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.15	94.15	+0.02	94.15	94.14	1,087	16,260
Sep	93.95	93.95	+0.02	93.96	93.95	467	10,245
Dec	-	93.78	-	93.78	-	128	9,282

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	May	Jun	Sep	PUTS Apr	May	Jun	Sep
9475	0.23	0.26	0.28	0.25	0.02	0.05	0.07	0.25
9500	0.04	0.08	0.11	0.14	0.08	0.12	0.15	0.39
9525	0.01	0.02	0.03	0.06	0.30	0.31	0.32	0.56

Est. vol. total, Calls 5530 Puts 6092. Previous day's open int., Calls 192083 Puts 212830

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9600	0.29	0.30	0.27	0.05	0.17	0.34
9625	0.13	0.16	0.16	0.14	0.28	0.48
9650	0.04	0.08	0.09	0.30	0.45	0.66

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 888 Puts 586

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

● Members of London Investment Banking Association

* In administration

LEGAL NOTICES

HOWDEN GROUP PLC

A Petition having been presented to the Court of Session on 10th January 1995 by Howden Group PLC a Company incorporated under the Companies Acts and having its Registered Office at Old Govan Road, Renfrew PA4 8XJ for Confirmation of Cancellation of Share Premium Account, the Court pronounced the Undernoted Interlocutor on Thursday 23rd March 1995.

Edinburgh 23rd March 1995

The Lords having heard Counsel for the Petitioners and considered the Petition along with Report by J H Mactie, Solicitor, Edinburgh No 9 of process allows the Petition to be amended in terms of the Minute of Amendment No. 10 of process; direct that the provisions of Section 136(3) to (5) shall not apply as regards the creditors of the company or any class of them; confirm the cancellation of the company's share premium account resolved on by the Special Resolution of the company dated 21st September 1994 and set forth in the Petition; direct the registration of this Order and Undertaking with the Registrar of Companies and on said Order and Undertaking being registered, order notice thereof to be given by Advertisement once in the Edinburgh Gazette and in the Herald and the Scotsman and the Financial Times newspapers and decern.

Sgd Donald M Ross IPD

all of which notice is hereby given.

Maclay Murray & Spens
Solicitors for Petitioners
3 Glenfinlas Street,
Edinburgh

NO: 001594 of 1995

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF LONDON SECURITIES PLC
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 9th day of March 1995 presented to Her Majesty's High Court of Justice for confirmation of the reduction of the capital of the above named Company from £22,830,535.54 to £680,000 and the reduction of the amount standing to the credit of the Company's share premium account.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 12th day of April 1995.

Any creditor or shareholder of the said Company desiring to oppose the making of an Order for the said reduction of capital and reduction of the amount standing to the credit of the Company's share premium account should appear at the time for the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

DATED this 28th day of March 1995

Lawrence Graham
190 Strand
London
WC2R 1JN

Ref: JWN/ACD/L2131-209
Solicitors for the above named Company

LONDON SHARE SERVICE

BANKS, MERCHANT

Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cn 2nd Prf	50½	—	117	50¾	6.31	19.8	–
9¾pc Non-Cum Prf	4¼	—	197½	3	1.90	–	–
Cater Allen ♣†N□	460	+1	*530¼	418	150.0	7.7	9.5
Close Bros ♣†N□	260xd	—	*289½	203	238.0	4.0	11.3
Gerrard & Nat ♣†N□	419	—	516	395	284.1	7.2	12.1
Hambros N□	234	—	473	195	377.9	8.8	13.1
7¾pc Cv Pf	99xd	—	191	94	122.4	9.9	–
Joseph (L) ♣†N	383	—	443	383	20.3	5.8	11.1
King & Shaxson	89	+2	178	86	16.5	12.6	8.8
Kleinwort Benson ♣†N□	693xd	—	683	424	871.8	4.1	12.7
Rea Bros ♣†N□	58	—	79	53	24.1	2.0	16.2
Schroders ♣†N□	1610xd	-5½	1574	1050	1,519	1.7	14.7
NV	1330xd	-5½	1458	1043	388.8	1.9	12.3
Singer & Fried ♣N□	82½	—	114	75	168.3	6.4	ф
Union ♣N□	85xd	+3	*199	70	22.6	4.4	ф
Warburg (SG) ♣N□	727	-3	1012	569	1,598	3.8	13.3
Wintrust ♣†N	210xd	—	390	200	17.9	6.3	14.0

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	1994/95 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32½	—	£34	£13½	2,124	2.4	Φ
Barlow	♣	[illegible]	-¼	[illegible]	[illegible]	1,241	1.6	22.8
Gold Flds Prop R		147½	—	152	75	15.8	7.1	Φ
NK Props.		98	—	98	85	3.62	13.0	-
SASOL	♥	591	+2	597	280	3,409	2.3	-
SA Brews	†	£17⅞	—	£17⅞	£10	4,857	1.6	28.0
Tiger Oats		859	-25	875	538	1,278	1.7	20.8
Tongaat-Hulett	††	690	—	*782	356¾	628.9	2.0	20.7

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3439. Ring 0181-770 0770 (open 24 hours including weekends) or Fax 0181-770 3822. If calling from outside the UK, ring +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg. Call 0171-873 4378 (+44 171 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

	Selling Price	+or-	Yield Gr's
US$	$40.04	-0.02	4.94
Canadian $	C$21.53	+0.01	6.99
Managed Fund	$43.06	+0.01	-

Saracin Funds Mngmt (Guernsey) Ltd
PO Box 245, St Peter Port, Guernsey

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Bellwest Management (Guernsey) Ltd

CIBC Fund Managers (Guernsey) Ltd

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Credis Investment Funds

Merrill Lynch Asset Management - Contd.

Albany International Assurance Ltd

Royal Skandia Life Assurance Ltd (z)

CDC International

Global Asset Management - Contd.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

UK shares cautiously await the FOMC meeting

By Terry Byland,
UK Stock Market Editor

A trading session well stocked with corporate developments saw the UK stock market remain cautious ahead of today's meeting of the US Federal Reserve's Open Market Committee. The Footsie scaled new heights for 1995 in early trading, but closed a shade easier on the day as Wall Street made a slow start to the new trading session.

The final reading showed the FT-SE 100-share Index down 3.6 at 3,149.8, casting a shadow over the 3,150 mark, which has been identified as a significant testing level. While few analysts expect any change in interest rates from either the FOMC meeting today, or the Bundesbank meeting on Thursday, London is much more relaxed about interest rate prospects than a month ago.

However, neither sterling nor UK bonds could hold on to early firmness and the stock market was not severely tested in either direction. Although equity investors appeared to remain convinced of the prospects for economic recovery and subdued inflation in the UK, there were some hints that further rights issues might inhibit the Footsie in the near term.

At best, the Footsie touched 3,170.2 early in the day. This was a very good performance, particularly in view of the heavy list of blue chip stocks facing ex-dividend price adjustments, which effectively restrained the Footsie by around 12 points.

But trading volume was slow to expand and market specialists restricted their attention to a handful of special situations, not all of which came as any great surprise.

Shares in Scottish & Newcastle made a low key response to the board's confirmation that it is discussing with Foster's, of Australia, the possibility of a deal over the Courage brewing businesses. Such a move has been widely mooted and the statement gave the equity market little new to bite on.

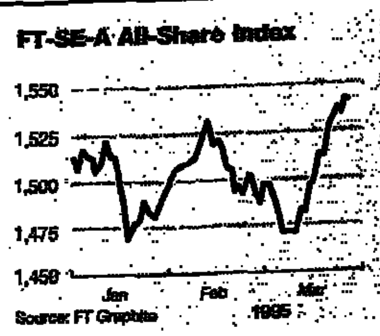
Trading statements from Inchcape and also from Pearson, which owns the Financial Times, failed to please the market. Market indices lost their early shine as investors backed away ahead of the opening on Wall Street, which came one hour later than previously in the London session because of the change to summer time in the UK.

Late dealings saw the UK market following Wall Street step by step; the Dow Jones Industrial Average was up by just under 2 points when London closed for the day. The broad range of the London market was equally irresolute. The FT-SE Mid 250 Index edged up to 3,419.9, while the FT-SE-A 350 Index, at 1,561.4, shaded by 1.4 from Friday's new 1995 peak.

Trading volume, as measured through the Seaq network, dipped to 568.5m shares from over 600m on Friday, when retail, or customer, business was worth £1.7bn.

Volume in non-Footsie stocks increased to make up around 62 per cent of the Seaq total. This was seen as an indication of recovery of confidence by private investors in the UK. Sharelink, the Birmingham based dealer-only stockbroker, which operates largely on behalf of private investors, rose sharply after admitting that it is in talks which may lead to a bid.

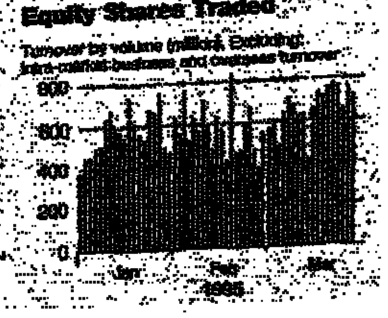
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3149.8	-3.6	FT Ordinary Index	2417.4	+4.4
FT-SE Mid 250	3419.9	+0.2	FT-SE-A Non Fins p/e	17.08	(17.10)
FT-SE-A 350	1561.4	-1.4	FT-SE 100 Fut Jun	3178.0	+7.0
FT-SE-A All-Share	1540.81	-1.0	10 yr Gilt yield	8.51	(8.47)
FT-SE-A All-Share yield	4.11	(4.15)	Long gilt/equity yld ratio:	2.07	(2.07)

Best performing sectors

1 Oil Exploration .... +0.8
2 Leisure & Hotels .... +0.7
3 Telecommunications .... +0.6
4 Textiles & Apparel .... +0.6
5 Insurance .... +0.6

Worst performing sectors

1 Life Assurance .... -2.0
2 Distributors .... -1.5
3 Water .... -1.3
4 Oil, Integrated .... -1.1
5 Mineral Extraction .... -0.7

US cool on drugs stock

Pharmaceuticals group SmithKline Beecham weakened as US interest showed signs of fading. Leading US brokerage Morgan Stanley, which has had the company on its international buy list since October, turned more cautious yesterday.

The stock has risen by more than 100p over the past six months and Morgan Stanley argued that, while it may still appear cheap compared to some US rivals, it is now well up with events in the UK. It expects the stock to tread water until the third quarter when the effects of the patent expiry of Tagamet, SmithKline's key ulcer drug, will start to be overtaken by internal growth.

US holdings are now above 24 per cent, but some London dealers who target American Depositary Receipts believe Morgan Stanley's move will mark a change. The Units, which reflect the views of US investors, lost 4½ at 493p.

Sharelink surges

Execution-only stockbroker Sharelink delivered one of the most powerful performances in the market, after the broker said it was involved in talks which could lead to a bid.

Sharelink was at pains to point out, however, that any offer would only be at a "modest premium" to the current share price. The shares raced ahead early yesterday, topping 200p for the first time since November last year; they settled a net 26 higher at 204p.

Talk in the market suggested that likely bidders for the company could include US groups Charles Schwab or Fidelity, or a UK financial institution.

Sharelink shares peaked at 428p in November 1993, having been floated at 250p in July 1993. However, the group began to suffer from low market volumes which eventually prompted the group to issue a warning in September that it would incur a loss of around £500,000. The shares dropped to a record low of 138p on March 16.

Inchcape setback

Shares in Inchcape tumbled 22 to 278p in heavy trading of 6.2m after the international services and marketing group issued its third profits warning since the beginning of 1994. The sharp decline made it the day's worst performing stock among FT-SE 100 constituents.

The group confirmed a decline in last year's profits, from £271.4m in 1993 to £228.4m. However, it was a warning that first-half figures in 1995 are likely to be significantly below those of the same period last year – and lower than 1994's second half – that sent the shares into retreat. Inchcape blamed the poor outlook for car markets and the strength of the yen.

Brokers moved to downgrade current year profits forecasts. Robert Fleming cut its estimate by £30m to £210m, while ABN-Amro Hoare Govett is believed to have reduced its forecast by about £40m to around £190m.

One analyst, who refused to be named, said: "The shares will remain under a cloud while the uncertainty remains, although they will be supported at the lower levels by the healthy yield."

Shares in Pearson, the media conglomerate which owns the Financial Times, experienced volatile trading as the group announced its 1994 figures. The stock jumped 15 at the start of dealing as the group revealed headline profits of £297.8m, above most analysts' estimates.

Then, the presentation to analysts was overshadowed by disappointing news about Mindscape, Pearson's video game and computer software arm in the US. Furthermore, the market realised that the figures were boosted by one-off factors. Analysts began to lower their forecasts and the shares reversed their earlier gain. The stock was off a net 20 before ending the day 15 down at 569p.

Increasing hopes that BT and Cable and Wireless will be able to participate in the German telecoms market, once Deutsche Telecom's monopoly is withdrawn in 1998, saw both stocks make good progress. BT, up 2½ at 388p, established an alliance with Viag, the German company, earlier this year, while C&W, 3 higher at 393p, has links with Veba, which took a 10.5 per cent stake in the UK telecoms company earlier this year.

The water sector met a bout of sustained selling pressure ahead of a critical examination of the companies in a television programme last night. In the leaders, Severn Trent, 504p, and North West, 536p, fell 9 each, and Anglian 10 to 465p.

Household products group Reckitt & Colman improved 6¾ to 635p xd. However, NatWest Securities recommended selling the tightly traded stock, arguing that the market had overvalued its prospects.

Pharmaceuticals leader Glaxo improved 4 to 713p, with S.G. Warburg, the company's broker, saying the takeover of Wellcome and the subsequent job cuts will ultimately leave the shares fairly valued at 800p each.

Cazenove, which never comments on market rumours, was also said to be recommending the stock to clients. Most securities houses have prepared or are preparing recommendations on the assumption that the new group will shed some 10,000 jobs.

Lloyds Bank improved to 607½p xd, boosted by news that the bank will not have to increase its offer for Cheltenham & Gloucester Building Society.

A buy recommendation published by BZW was said to have been the driving force behind the composite insurances where Commercial Union led the pack, the shares advancing to 557p, ex-dividend, on turnover of 1.6m.

"The 1995 dividend is set to be up to 90 per cent covered by life earnings alone and the 6.5 per cent prospective yield thus woefully undervalues the prospects for this blue-chip composite," BZW said.

Confirmation that brewing and leisure company Scottish & Newcastle was in talks with Foster's over the acquisition of part or all of Courage, the brewing giant, prompted talk of a rights issue to fund the acquisition. The shares weakened 3 to 511p on the talk in active trading of 6.2m.

Elsewhere in the sector, Allied Domecq gave up 6½ to 531p, with S.G. Warburg said to be negative on the stock. Volume stood at 2.2m at the close.

Among retailing stocks, Marks and Spencer hardened 2 to 416½p on volume of 5.1m after NatWest Securities upgraded its recommendation on the stock to "add". The recommendation came in a positive review of the stores sector in which the securities house said: "Within the consumer areas the general retailers now offer good value, and so we have raised our sector recommendation to outperform."

Next were in demand ahead of Wednesday's figures. The shares gained 9 to 287p.

Speculation that Argos may bid for jeweller Signet Group left the former 9 lighter at 393p, while the latter firmed ¾ to 17½p.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Mar 27	Mar 24	Mar 23	Mar 22	Mar 21	Yr ago	*High	*Low
Ordinary Share	2417.4	2413.0	2398.7	2394.0	2394.2	2479.6	2713.6	2238.3
Ord. div. yield	4.38	4.39	4.42	4.42	4.43	3.74	4.66	3.43
Earn. yld. % full	7.12	7.15	7.19	7.16	7.17	5.06	7.39	3.82
P/E ratio net	16.72	16.67	16.56	16.63	16.60	21.39	33.43	16.11
P/E ratio nil	16.54	16.49	16.38	16.32	16.29	22.34	30.80	15.77

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2426.1	2434.5	2425.0	2428.6	2425.6	2428.0	2424.5	2422.1	2416.8	2434.5	2416.5

	Mar 27	Mar 24	Mar 23	Mar 22	Mar 21	Yr ago
SEAQ bargains	33,734	29,083	34,541	32,125	36,639	37,420
Equity turnover (£m)†	-	1703.3	1766.6	1598.3	1824.2	1163.2
Equity bargains†	-	41,775	47,054	45,555	49,275	44,268
Shares traded (mil)†	-	727.5	777.1	653.2	758.9	477.3

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	833	Total Highs	33	Total contracts	27,126
Total Falls	501	Total Lows	101	Calls	13,298
Same	1,524			Puts	13,828

March 27 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3181.0	3178.0	+7.0	3201.0	3168.0	9416	64053
Sep	-	3201.0	+7.0	-	-	0	1060

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3450.0	3444.0	+4.0	3450.0	3446.0	4	4156

FT-SE 100 INDEX OPTION (LIFFE) (*3149) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Apr	218½	2	168½	4½	124½	10½	85½	20½	53½	39½	28½	67½	12	105	5	152
May	232	10	189½	17	149	27	112½	40	82	60½	58	88½	38½	118	22½	157
Jun	243½	19	202	27	165½	40	131½	56½	102	77½	77	103	55½	132½	38½	168
Jul	262	30	225	42	188½	55½	157	73½	127½	94	102	119½	80½	148½	60½	181
Dec†			295½	78			236½	115			181	160			134	215½

Calls 6,620 Puts 6,684

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P
Apr	192	4	146	7½	104½	15½	69	30	41½	52½	20½	81	9½	119½	3	163
May	210½	13½	169	21½	131	33	98	49½	68½	70½	47	97½	30	130	18	167½
Jun	225½	25½	188½	36	150½	49	118	65½	89	86	65	111	45	140½	30	174½
Sep			236	65½			171½	97½			116	139½			73½	193½
Dec†			286	85			222½	117			169	157½			121	205½

Calls 532 Puts 972 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap* (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
150	F.P.	517.3	167	154	Albright & Wilson	165		RN6.0	1.5	4.5	18.3
-	F.P.	18.4	201	175	Beale	180		HN5.9	-	4.1	-
-	F.P.	31.9	141	123	Colleagues	141	+3	-	-	-	-
§128	F.P.	15.6	135	130	Dailywin	130		RN8.0	2.2	5.8	6.8
§130	F.P.	45.7	138	136	Datrontech	138		N-	-	-	15.6
100	F.P.	30.0	101	100	Geared Inc Inv C	100		-	-	-	-
§135	F.P.	16.0	138	118	Golden Rose	119	-1	-	-	-	-
100	F.P.	161.6	101	95	HTR Inc Gth Sp Inc	101		-	-	-	-
100	F.P.	94.5	105	102	Do. Zero Div Pf	105	+½	-	-	-	-
-	F.P.	9.40	20	17	Inv Cap Warrants	19		-	-	-	-
-	F.P.	21.8	87	83	Inv Tst of Inv Tsts	84		-	-	-	-
-	F.P.	2.91	59	55	Do. Warrants	56		-	-	-	-
-	F.P.	0.36	5	3	Melrose Warrants	3½		-	-	-	-
100	F.P.	23.8	96	90	Montanaro UK Sm	95		-	-	-	-
-	F.P.	2.15	48	43	Do. Warrants	43		-	-	-	-
476	170	6,063.9	193	163½	*Natl Power (P/P)	167	-2	FN15.45	2.6	4.1	13.0
512	185	4,034.9	206	176½	*PowerGen (P/P)	187	-2	FN15.0	3.2	3.6	11.1
-	F.P.	81.3	514	493	Schroder I G Uts	514	+4	-	-	-	-
50	F.P.	3.34	50	42	Superframe	43		RN2.0	1.6	5.8	10.6
-	F.P.	0.04	8	7	Do. Warrants	7		-	-	-	-
-	F.P.	24.3	102	100	Throg DI Zero Pf	102		-	-	-	-
145	F.P.	83.4	183	170	Zotefoams	175		W4.65	2.1	3.3	17.7

* Note: issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

	Mar 24	% chg on day	Mar 23	Mar 22	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1823.72	-1.0	1842.27	1821.42	2169.04	2.32	2337.90	1637.91
Regional Indices								
Africa (16)	2514.58	-2.3	2573.87	2560.95	3064.43	5.38	3711.87	2304.45
Australasia (7)	2122.03	+1.0	2100.37	2078.59	2666.16	1.95	2951.49	1788.20
North America (11)	1584.23	-0.8	1596.21	1575.88	1898.56	0.83	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Mar 27	Day's chge%	Mar 24	Mar 23	Mar 22	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3149.8	-0.1	3153.4	3136.4	3139.7	3129.5	4.33	7.85	15.38	44.44	1220.04
FT-SE Mid 250	3419.9	.....	3419.7	3411.1	3407.0	3785.7	3.74	6.73	17.93	25.76	1298.28
FT-SE Mid 250 ex Inv Trusts	3427.1	.....	3427.4	3418.3	3414.6	3804.6	3.89	7.29	16.69	25.86	1299.19
FT-SE-A 350	1561.4	-0.1	1562.8	1555.3	1556.2	1590.4	4.20	7.60	15.68	19.75	1235.73
FT-SE-A 350 Higher Yield	1573.1	-0.3	1577.7	1567.8	1569.3	1598.3	5.18	8.43	14.24	26.98	1027.70
FT-SE-A 350 Lower Yield	1549.9	+0.1	1547.5	1542.9	1543.1	1543.8	3.07	6.64	18.38	12.13	1029.87
FT-SE SmallCap	1706.22	+0.2	1704.63	1699.86	1695.77	1937.01	3.52	5.32	23.36	13.04	1345.45
FT-SE SmallCap ex Inv Trusts	1684.81	+0.1	1682.40	1677.84	1673.96	1913.07	3.74	5.96	21.13	12.78	1331.42
FT-SE-A ALL-SHARE	1540.81	-0.1	1541.81	1534.70	1535.21	1582.00	4.15	7.43	16.28	18.90	1239.60

FT-SE Actuaries All-Share

	Mar 27	Day's chge%	Mar 24	Mar 23	Mar 22	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2683.63	-0.7	2702.86	2695.56	2695.02	2492.15	3.83	6.68	18.77	50.53	1104.09
12 Extractive Industries(7)	3592.92	+0.2	3584.25	3573.48	3612.34	3895.90	3.91	7.68	16.25	91.07	1017.17
15 Oil, Integrated(3)	2672.75	-1.1	2701.66	2699.73	2694.49	2400.04	3.95	7.02	17.74	47.68	1123.54
16 Oil Exploration & Prod(14)	1965.70	+0.6	1949.61	1908.23	1896.69	1800.98	2.56	1.36	60.00†	29.55	1155.30
20 GEN INDUSTRIALS(278)	1847.43	+0.1	1844.98	1837.79	1828.89	2084.84	4.27	6.63	18.33	19.86	960.74
21 Building & Construction(36)	952.42	.....	952.13	947.47	942.56	1321.19	4.14	7.74	16.34	7.86	758.34
22 Building Matls & Merchs(31)	1754.70	-0.2	1758.82	1758.33	1752.80	2183.64	4.44	6.60	18.56	4.54	837.29
23 Chemicals(23)	2226.87	+0.5	2216.81	2201.56	2197.27	2473.01	4.29	5.60	21.44	29.60	1008.91
24 Diversified Industrials(17)	1818.72	+0.3	1813.12	1796.66	1785.41	2082.79	5.24	7.33	16.50	34.89	960.39
25 Electronic & Elect Equip(37)	1941.05	.....	1941.75	1937.92	1934.24	2001.46	3.74	6.82	17.43	6.02	982.20
26 Engineering(72)	1787.99	+0.2	1783.53	1785.65	1778.84	1924.68	3.44	6.25	19.30	15.05	1039.56
27 Engineering, Vehicles(13)	2164.55	-0.1	2165.86	2149.05	2143.19	2256.62	4.22	3.36	38.97	27.93	1073.52
28 Paper, Pckg & Printing(27)	2751.30	-0.3	2759.74	2758.48	2744.25	2895.78	3.45	7.67	15.70	34.05	1102.89
29 Textiles & Apparel(21)	1499.03	+0.6	1489.55	1467.21	1433.62	1792.20	4.61	7.09	18.32	8.40	863.26
30 CONSUMER GOODS(94)	2969.23	-0.1	2972.53	2943.02	2947.79	2737.60	4.37	6.63	18.53	44.10	1047.81
31 Breweries(18)	2195.32	+0.2	2191.59	2179.20	2161.67	2195.20	4.37	8.41	14.33	11.98	1005.78
32 Spirits, Wines & Ciders(10)	2683.28	-0.5	2697.95	2636.82	2697.49	2935.50	4.32	7.95	15.79	26.30	916.19
33 Food Producers(24)	2400.94	-0.3	2407.44	2396.99	2421.84	2266.44	4.19	7.79	15.54	39.56	1038.71
34 Household Goods(10)	2490.10	-0.6	2505.26	2484.02	2492.42	2561.04	3.69	3.20	39.11	46.85	919.29
36 Health Care(18)	1668.99	+0.4	1661.80	1660.96	1658.74	1748.74	3.10	3.52	38.83	7.46	979.16
37 Pharmaceuticals(12)	3752.11	+0.2	3745.89	3721.84	3742.80	2883.68	4.13	4.17	29.25	49.21	1220.36
38 Tobacco(2)	3703.10	-0.4	3716.62	3648.36	3679.71	3787.67	6.16	11.07	11.29	131.29	878.44
40 SERVICES(230)	1912.06	+0.1	1909.58	1909.93	1909.36	2035.48	3.38	6.95	17.61	10.94	953.25
41 Distributors(32)	2262.65	-1.5	2296.23	2303.06	2279.85	2980.97	4.19	8.01	15.49	16.56	796.36
42 Leisure & Hotels(29)	2135.34	+0.7	2121.37	2126.78	2120.97	2225.37	3.58	5.33	22.65	28.21	1073.28
43 Media(43)	2817.86	+0.1	2816.43	2810.68	2808.88	3127.68	2.72	6.11	20.22	21.71	989.89
44 Retailers, Food(16)	1837.86	-0.3	1842.81	1858.36	1877.61	1602.28	3.59	8.83	13.87	2.88	1110.94
45 Retailers, General(44)	1620.36	+0.3	1615.12	1605.09	1605.04	1715.39	3.34	7.17	17.28	6.78	885.78
48 Support Services(38)	1483.78	+1.0	1469.34	1458.59	1458.83	1664.38	2.94	7.02	17.22	5.09	911.92
49 Transport(21)	2208.76	-0.1	2211.30	2227.52	2211.44	2582.78	3.88	6.84	17.38	7.97	875.64
51 Other Services & Business(7)	1181.97	+0.2	1179.75	1177.50	1174.38	1181.97	3.79	4.69	28.75	9.17	1033.45
60 UTILITIES(37)	2259.58	.....	2260.39	2259.45	2274.81	2381.45	4.81	9.25	12.82	6.85	890.29
62 Electricity(17)	2100.15	-0.3	2105.92	2117.13	2119.08	2318.77	4.87	12.39	3.62	19.89	898.77
64 Gas Distribution(2)	1929.46	-0.5	1939.06	1944.84	1950.62	2041.91	6.21	7.16	17.46	0.00	906.25
66 Telecommunications(5)	2005.47	+0.6	1992.71	1991.34	2017.52	2049.00	4.06	6.71	18.18	0.13	870.43
68 Water(13)	1757.20	-1.3	1780.62	1753.86	1757.03	1881.67	5.70	13.63	8.01	4.62	896.02
69 NON-FINANCIALS(684)	1661.19	.....	1661.98	1655.93	1656.25	1707.82	4.11	7.13	17.08	16.94	1196.86
70 FINANCIALS(118)	2232.20	-0.2	2236.99	2214.53	2217.76	2246.14	4.73	10.12	11.76	52.99	913.31
71 Banks, Retail(9)	2964.76	-0.2	2969.79	2918.78	2932.47	2844.87	4.63	11.98	9.73	88.03	920.20
72 Banks, Merchant(6)	3079.90	-0.8	3087.87	3109.39	3070.87	2917.79	3.79	9.09	13.35	28.82	944.28
73 Insurance(26)	1251.04	+0.6	1243.94	1237.76	1229.90	1359.05	5.66	9.85	12.96	33.02	889.36
74 Life Assurance(6)	2507.14	-2.0	2558.73	2547.02	2539.68	2490.01	5.38	7.11	17.53	78.15	1000.83
77 Other Financial(23)	1909.49	+0.4	1901.54	1889.84	1873.54	1972.67	4.00	9.58	13.77	16.03	1040.60
79 Property(46)	1370.24	.....	1370.85	1379.08	1391.92	1614.02	4.42	5.14	24.24	4.58	797.72
80 INVESTMENT TRUSTS(133)	2619.87	+0.2	2614.01	2609.86	2605.46	2836.54	2.42	1.98	50.53	18.32	891.45
89 FT-SE-A ALL-SHARE(915)	1540.81	-0.1	1541.81	1534.70	1535.21	1582.00	4.15	7.43	16.28	18.90	1239.60
FT-SE-A Fledgling	956.41	+0.2	954.21	951.82	949.95	-	3.07	-	-	8.54	962.87
FT-SE-A Fledgling ex Inv Trusts	953.69	+0.2	951.87	949.32	947.08	-	3.25	-	-	6.70	960.23

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3159.0	3170.1	3156.8	3159.1	3157.0	3158.5	3156.0	3154.4	3148.0	3170.2	3147.4
FT-SE Mid 250	3427.0	3429.8	3425.3	3426.2	3426.1	3426.6	3425.1	3423.5	3419.8	3430.3	3419.5
FT-SE-A 350	1565.7	1570.3	1564.7	1565.7	1564.6	1565.4	1564.4	1563.8	1560.7	1570.3	1560.5

Time of FT-SE 100 Day's high: 8.59am Day's low: 4.00pm. FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	940.6	941.4	941.4	940.3	940.3	940.3	940.3	940.5	938.4	937.7	937.5	+0.2
Pharmaceuticals	3741.8	3756.2	3735.1	3732.0	3727.7	3730.2	3728.3	3726.1	3716.1	3723.4	3717.1	+6.3
Water	1776.9	1773.9	1763.6	1765.8	1765.8	1765.8	1759.7	1760.5	1749.5	1749.6	1773.4	-23.8
Banks, Retail	2998.9	3022.3	3008.2	3010.5	3010.5	3011.2	3005.6	3002.5	3001.2	3002.6	3007.7	-5.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

CONTRACTS & TENDERS

COMPANY NOTICES

PERSONAL

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 27 / Sch)

BELGIUM/LUXEMBOURG (Mar 27 / Frs.)

CZECH REP (Mar 27 / Koruna)

DENMARK (Mar 27 / Kr)

FINLAND (Mar 27 / Mka)

FRANCE (Mar 27 / Frs.)

GERMANY (Mar 27 / Dm.)

GREECE (Mar 27 / Drachma)

ITALY (Mar 27 / Lira)

NETHERLANDS (Mar 27 / Fls.)

NORWAY (Mar 27 / Kroner)

POLAND (Mar 24 / Zloty)

PORTUGAL (Mar 27 / Escudo)

SPAIN (Mar 27 / Pts.)

SWEDEN (Mar 27 / Kronor)

SWITZERLAND (Mar 27 / Frs.)

TURKEY (Mar 27 / Tk Lira)

PACIFIC

JAPAN (Mar 27 / Yen)

HONG KONG (Mar 27 / H.K.$)

INDONESIA (Mar 27 / Rupiah)

MALAYSIA (Mar 27 / MYR)

NEW ZEALAND (Mar 27 / NZ $)

SINGAPORE (Mar 27 / S$)

AUSTRALIA (Mar 27 / Aus$)

SOUTH KOREA (Mar 27 / Won)

TAIWAN (Mar 27 / TW $)

THAILAND (Mar 27 / Baht)

AFRICA

SOUTH AFRICA (Mar 27 / Rand)

NORTH AMERICA

CANADA

TORONTO (Mar 27 / Can $) 4 pm close

MONTREAL (Mar 27 / Can $) 4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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INDICES

	Mar 27	Mar 24	Mar 23	1994/5 High		1994/5 Low	
Argentina General (29/12/77)	(u)	12952.79	12459.17	25470.40	16/2/94	9831.09	9/3/95
Australia All Ordinaries(1/1/80)	1906.8	1897.2	1890.9	2340.60	3/2/94	1823.30	8/2/95
All Mining(1/1/80)	834.1	834.6	827.8	1138.10	3/2/94	785.30	8/2/95
Austria Credit Aktien(30/12/84)	359.73	360.94	361.15	480.66	2/2/94	359.73	27/3/95
Traded Index(2/1/91)	963.37	967.49	967.12	1222.25	1/2/94	963.37	27/3/95
Belgium BEL20 (1/1/91)	1297.96	1287.99	1285.24	1542.65	9/2/94	1271.53	9/3/95
Brazil Bovespa (29/12/83)	(u)	33612.0	31456.0	55110.00	13/9/94	3800.90	3/1/94
Canada Metals Minls♦(1975)	(u)	4131.01	4085.87	4925.07	18/1/95	3298.06	20/4/94
Composite♦ (1975)	(u)	4317.10	4290.40	4809.80	23/3/94	3959.90	24/6/94
Portfolio§§ (4/1/83)	(c)	2142.81	2132.86	2182.89	1/2/94	1868.48	28/6/94
Chile IPGA Gen (31/12/80)	(u)	5380.2†	5247.3	5754.40	21/11/94	3801.20	4/4/94
Denmark CopenhagenSE(3/1/83)	337.57	338.02	340.24	415.79	2/2/94	335.88	20/12/94
Finland HEX General(28/12/90)	1606.7	1585.4	1598.8	1972.00	4/2/94	1585.40	24/3/95
France SBF 250 (31/12/90)	1210.94	1198.50	1187.48	1585.20	2/2/94	1154.41	13/3/95
CAC 40(31/12/87)	1836.10	1817.29	1795.66	2355.93	2/2/94	1721.89	13/3/95
Germany FAZ Aktien(31/12/58)	723.52	716.37	734.89	859.27	18/5/94	716.37	24/3/95
Commerzbank(1/12/53)	2060.7	2040.8	2096.5	2485.50	2/5/94	2040.80	24/3/95
DAX (30/12/87)‡	1946.90	1925.42	1936.07	2271.11	16/5/94	1925.42	24/3/95
Greece Athens SE(31/12/80)	803.63	806.51	806.84	1194.58	18/1/94	787.15	16/3/95
Hong Kong Hang Seng(31/7/64)	8887.54	8484.66	8467.67	12201.09	4/1/94	6967.93	23/1/95
India BSE Sens.(1979)	3289.19	3280.10	3293.77	4628.57	12/9/94	3233.31	22/2/95
Indonesia Jakarta Comp.(10/8/82)	423.59	422.13	426.25	612.89	5/1/94	422.13	24/3/95
Ireland ISEQ Overall(4/1/88)	1843.57	1835.51	1828.80	2082.16	20/1/94	1694.14	1/7/94
Italy Banca Comm Ital (1972)	604.12	591.46	587.99	817.17	10/5/94	581.64	13/12/94
MIB General (2/1/85)	954.0	934.0	929.0	1318.00	10/5/94	929.00	23/3/95
Japan Nikkei 225 (16/5/49)	16096.25	15749.77	15813.41	21552.81	13/6/94	15749.77	24/3/95
Nikkei 300 (1/10/82)	233.14	228.05	230.13	311.71	13/6/94	228.05	24/3/95
Japan Topix (4/1/68)	1265.79	1239.67	1249.09	1712.73	13/6/94	1239.67	24/3/95
2nd Section (4/1/68)	1624.43	1601.53	1627.96	2542.65	6/7/94	1601.53	24/3/95
Malaysia KLSE Comp.(4/4/86)	952.74	957.80	957.05	1314.46	5/1/94	840.87	24/1/95
Mexico IPC (Nov 1978)	(u)	1723.03	1615.70	2881.17	8/2/94	1447.52	27/2/95
Netherland CBS TtlRtnGen(End 83)	426.3	424.7	422.9	454.98	31/1/94	406.30	21/6/94
CBS All Shr (End 83)	267.4	266.4	265.2	284.80	31/1/94	257.98	21/6/94
New Zealand Cap. 40 (1/7/86)	1957.59	1937.30	1937.41	2438.64	3/2/94	1878.09	12/12/94
Norway Oslo SE(Ind)(2/1/83)	1061.12	1053.76	1054.17	1211.10	28/2/94	980.91	21/6/94
Philippines Manila Comp (2/1/85)	2348.39	2262.94	2275.32	3308.37	4/1/94	2248.39	27/3/95
Portugal BTA (1977)	2717.9	2720.2	2720.0	3228.60	18/2/94	2612.80	20/6/94
Singapore SES All-S'pore(2/4/75)	499.45	498.82	500.51	641.61	4/1/94	472.90	23/1/95
South Africa JSE Gold (28/9/78)	1357.0♥	1372.2	1403.9	2534.00	7/9/94	1357.80	27/3/95
JSE Ind. (28/9/78)	6501.4♥	6539.0	6651.9	6984.40	30/12/94	5448.00	19/1/94
South Korea KoreaCmpEx(4/1/80)~	953.84	953.62	947.27	1138.75	8/11/94	855.37	2/4/94
Spain Madrid SE (30/12/85)	267.08	265.20	264.06	358.31	31/1/94	264.06	23/3/95
Sweden AffarsvardnGen (1/2/37)	1464.5	1461.4	1446.4	1693.90	31/1/94	1334.70	6/7/94
Switzerland Swiss Bk Ind (31/12/58)	1201.06	1201.75	1187.08	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	887.70	890.16	878.16	1093.29	31/1/94	870.56	13/3/95
Taiwan WeightedPr.(30/6/66)~	6470.28	6433.44	6441.85	7181.13	1/11/94	5194.63	19/3/94
Thailand Bangkok SET (30/4/75)	1199.72	1196.13	1208.13	1753.73	4/1/94	1135.69	16/3/95
Turkey Istanbul Cmp.(Jan 1986)	37397.4	36693.1	35926.2	37397.40	27/3/95	12989.70	24/3/94
WORLD MS Capital Int (1/1/70)§	628.5*	624.8	624.2	649.90	2/11/94	581.60	1/11/94
CROSS-BORDER Eurotrack 100(26/10/90)	1254.68	1241.50	1228.24	1540.19	31/1/94	1222.41	13/3/95
Euro Top-100 (26/6/90)	1151.14	1144.76	1136.59	1311.91	2/2/94	1117.34	9/3/95
JCapelDrgne (31/12/88)	(u)	301.32	301.99	365.19	5/1/94	261.46	23/1/95
Barings Emerg.(7/1/92)	(u)	128.35	127.31	191.79	26/9/94	117.15	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40							
Mar	1844.0	1836.5	+9.5	1847.0	1833.0	24,841	27,545
Apr	1852.5	1846.6	+9.0	1857.5	1843.5	6,291	14,187
DAX							
Jun	1970.00	1946.50	+3.00	1970.0	1943.0	16,642	-
Sep	1985.50	1970.00	-2.50	1980.0	1970.0	451	-
OMX							
Apr	1138.00	1134.50	+8.50	1140.00	1131.00	3,105	20,467
May	-	-	-	-	-	-	-
SOFFEX							
Apr	2537.0	2516.0	-18.0	2546.7	2515.0	3,892	18,484
Jun	-	2485.0	-	-	-	-	6

~ Sat Mar 25: Taiwan Weighted Price 6401.39. Korea Comp Ex 955.51. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 27 - 1928.82 -7.05.

US INDICES

Dow Jones	Mar 24	Mar 23	Mar 22	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	4138.67	4129.68	4082.99	4138.67 (24/3/95)	3593.35 (4/4/94)	4138.67 (24/3/95)	41.22 (2/7/32)
Home Bonds	97.86	97.78	97.83	105.61 (21/1/94)	93.58 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1581.02	1574.26	1580.55	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	188.51	185.67	185.83	227.06 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4155.27 (4107.89) Low 4087.14 (4046.33) (Theoretical♠)
Day's high 4139.36 (4094.75) Low 4087.83 (4068.12) (Actual♠)

Standard and Poors	Mar 24	Mar 23	Mar 22	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	500.97	495.95	495.67	500.97 (24/3/95)	438.92 (4/4/94)	500.97 (24/3/95)	4.40 (1/6/32)
Industrials♥	596.92	591.34	591.10	596.92 (24/3/95)	510.05 (21/4/94)	596.92 (24/3/95)	3.62 (21/6/32)
Financial	46.15	45.64	45.66	48.94 (14/6/94)	39.87 (22/11/94)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	270.50	267.92	267.80	270.50 (24/3/95)	243.14 (4/4/94)	270.50 (24/3/95)	4.46 (25/4/42)
Amex Mkt Val	460.90	458.52	458.15	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	818.66	811.39	809.10	818.66 (24/3/95)	693.79 (24/6/94)	818.66 (24/3/95)	54.87 (31/10/72)

■ RATIOS

	Mar 24	Mar 17	Mar 10	Year ago
Dow Jones Ind. Div. Yield	2.65	2.69	2.70	2.70
	Mar 22	Mar 15	Mar 8	Year ago
S & P Ind. Div. yield	2.33	2.33	2.36	2.44
S & P Ind. P/E ratio	17.60	17.60	17.32	26.62

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	12,437,100	27⅝	+¼
Ford Motor	5,631,600	25⅜	+½
RJR Nabisco	4,993,800	6⅛	+⅛
Motorola	3,881,000	55¾	+1⅜
EMC Corp	3,753,700	17⅞	+⅛
Merck	3,487,800	43⅝	-⅛
Home Depot	3,407,800	42⅞	---
Intl Game	2,906,600	14¼	-⅛
Dig Equip	2,882,000	34⅞	+2⅜
Compaq	2,845,700	35	+1

■ TRADING ACTIVITY

● Volume (million)

	Mar 24	Mar 23	Mar 22
New York SE	357.885	318.499	313.112
Amex	18.337	15.451	15.147
NASDAQ	367.472	320.471	289.853
NYSE			
Issues Traded	2,953	2,934	2,940
Rises	1,626	1,048	969
Falls	627	1,017	1,136
Unchanged	700	869	835
New Highs	114	46	42
New Lows	25	42	34

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Jun	505.10	505.30	-0.10	506.65	505.10	75,306	192,109
Sep	510.20	509.50	-	510.20	509.50	971	8,304
Nikkei 225							
Jun	16030.0	16070.0	+280.0	16260.0	15980.0	22,936	118,897
Sep	16160.0	16160.0	+340.0	16160.0	16160.0	5	16

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, March 27, 1995

	Stocks Traded	Closing Prices	Change on day
Keihin Expres	6.4m	588	+20
Nippon Steel	5.3m	322	+15
Yamato Transport	4.3m	995	
Kawasaki Steel	3.6m	316	+10
Sumitomo Mtl	3.4m	245	
Nisshin F&M Ins	3.1m	452	+13
JPN Secs	3.0m	1280	+40
Seven Eleven	3.0m	6000	+80
M'bishi Hvy	2.8m	590	+35
Ito Yokado	2.5m	4180	+20

4 pm close March 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14¼	12⅝	AAR	0.48	3.7	22	100	13	12⅞	13	+⅛
23⅛	19¼	ALPharmaA	0.18	0.8	278	217	22⅝	22⅛	22¼	-⅛
38¼	35	AMP	0.92	2.5	21	2525	37¼	37	37	-¼
63¾	63⅜	AMR			28	14982	u65⅛	62⅝	64⅞	+2¾
47⅞	41⅞	ASA	1.71	3.8	29	339	45⅝	45⅛	45⅛	-⅜
38⅜	30¾	AbbtL	0.84	2.2	20	6370	37⅞	37½	37⅞	-⅛
14⅛	12	Abitibi Pr	0.50	3.5	13	2167	u14⅜	14⅛	14⅜	+¼
24⅜	22	ABM Ind	0.60	2.6	13	88	22⅞	22½	22¾	+⅜
16⅝	14¼	Acptncein			8	247	14¾	14½	14¾	
25⅞	21⅞	ACE Ltd	0.44	1.8	8	252	24⅞	24	24¾	+½
9⅜	8⅛	ACM Gvt In x	0.90	10.9	7	466	8⅜	8¼	8¼	+⅛
7½	6½	ACM GvOpp v	0.66	9.8		184	6⅞	6¾	6¾	-⅛
7½	5¾	ACM Gvt Sp x	0.75	12.2		766	6¼	6	6⅛	
8⅝	7⅜	ACM Gvt Se x	0.90	12.0		404	7⅝	7½	7½	
8½	7⅝	ACM Man x	1.08	13.9		117	7⅞	7¾	7¾	
7⅝	7⅛	ACM Managd	0.72	10.1		169	7¼	d7⅛	7⅛	-⅛
16½	10¼	AcmeClv	0.48	2.8	10	151	u17	16¼	16⅞	+⅜
21½	12⅜	Actve Elect			20	500	18¾	17¾	17¾	-⅛
34½	31⅛	Acordia	0.72	2.2	16	5	32¼	32⅛	32¼	
11⅜	8⅝	Actava	0.36	3.6	7	60	10	9⅞	9⅞	
16¾	11⅝	Acuson			19	241	12	11⅞	12	+⅛
16⅝	15⅝	Adams Expr	0.36	2.2	0	157	16½	16⅜	16½	+⅛
68½	53	Ad Micro	3.00	4.5		66	66	66	66	
[illegible]										

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Continued on next page

4 pm close March 27

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995.
Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close March 27

NASDAQ NATIONAL MARKET

4 pm close March 27

AMERICA

Higher bonds, profit-taking influence Dow

Wall Street

US shares were mixed yesterday morning as investors were torn between the desire to follow the improving bond market and an equally strong urge to take profits after Friday's record-breaking performance, *writes Lisa Bransten in New York.*

By noon, the Dow Jones Industrial Average was 1.04 lower at 4,137.63, while the Standard & Poor's 500 edged forward 0.67 to 501.64. The American Stock Exchange composite gained 0.39 at 461.29, while the Nasdaq composite firmed 1.11 to 819.77. New York SE volume was 136m shares.

Equity and bond market investors got an early lift yesterday after the National Association of Realtors said that the sale of existing homes dropped 5 per cent, compared with most economists forecast of a 2 per cent decline. In addition to suggesting to investors that the Federal Reserve might achieve a soft landing for the economy, the figures added support to betting that the Fed's Open Market Committee would not raise interest rates at today's meeting.

A relatively stable dollar also gave some support to yesterday's equity market. In early trading, the dollar gained against the Japanese yen, although by noon it was just below the level seen late on Friday. The US currency fell modestly against the D-Mark.

Several stocks that jumped on Friday were marked down slightly yesterday as investors sold at what they hoped was the top of the market. Adobe Systems, for example, slipped $2¼ at $47¾, after jumping $11½ on Friday, and Phelps Dodge was off $¾ at $56⅝ after rising $1⅞ on Friday.

Wellpoint Health Networks rose $4 at $35⅝ after it said that it had been approached by investors interested in purchasing the company for as much as $45 a share. Meanwhile, Wellpoint is negotiating to purchase Health Systems International, which sent shares in that company up $1½ at $32½.

USAir rose $⅞ at $6 after the pilots union agreed to take a pay cut and give up other concessions that could represent substantial savings this year.

Paco Pharmaceutical added 63 per cent to its value, rising $4⅝ at $12, after West, the pharmaceutical packaging company, said it would purchase the company for $12¼ a share, or $54m, in cash. West rose $¼ at $25¼ on the news.

Class A shares in American Maize were $2⅞ higher at $39⅞ after a judge denied a request from the company's chairman to stop the company from issuing Class B shares to Eriganía Beghin-Say.

Canada

After a mixed morning session Toronto shares were trailing by midday with the TSE 300 index down 12.10 at 4,305.00. Dealers said the market had been mostly overshadowed by the weak start on Wall Street and that resources stocks had bourne the brunt of the downturn. The gold and precious metals index was at 9,633.86 at noon, a fall of 25.02. Gold shares were heavily traded.

Argentine shares up 4%

Argentine shares jumped 4 per cent in late morning trade as several international investment funds stepped up their purchases. A number of US and European analysts have cautiously strengthened their recommendations on Buenos Aires in recent days. The Merval index had improved 13.78 to 361.60.

MEXICO CITY rose 3.8 per cent in an apparent display of confidence that the government's economic plan to shore up the weakened peso may be working. The IPC index was ahead 65.54 in the late morning at 1,788.57, adding to Friday's advance that took the index 6 per cent higher.

SAO PAULO put on 3.2 per cent in light midday trade on short-covering in a technical reaction to the losses racked up by the Brazilian market since the start of the year. The Bovespa index was 1,087 stronger at 34,699 in turnover of R$131.1m ($143.9m).

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1995	Start of 1995	Start of 1995
Austria	-2.57	-3.14	-18.32	-8.28	-1.20	+0.61
Belgium	-2.02	-3.35	-12.85	-5.23	+1.66	+3.52
Denmark	-1.64	-4.95	-16.02	-5.71	+0.40	+2.24
Finland	-6.46	-10.15	-6.15	-13.72	-8.91	-7.24
France	+1.57	+0.78	-14.64	-2.42	+2.88	+4.76
Germany	-4.16	-9.08	-13.44	-9.53	-2.53	-0.74
Ireland	+1.13	-3.40	+0.67	-1.23	+0.10	+1.93
Italy	+2.43	-3.90	-8.17	-4.86	-11.89	-10.27
Netherlands	+0.22	-3.11	-2.60	-3.94	+3.37	+5.27
Norway	-1.58	-5.89	-11.31	-10.49	-5.47	-3.74
Spain	-0.49	-5.86	-18.69	-7.17	-7.52	-5.84
Sweden	-0.03	-3.58	+2.45	+0.13	-0.11	+1.72
Switzerland	+1.20	-3.29	-10.46	-3.72	+5.67	+7.60
UK	+2.04	+3.63	-0.65	+2.48	+2.48	+4.35
EUROPE	+0.42	-1.38	-7.32	-2.47	+0.66	+2.50
Australia	-1.19	-1.03	-10.43	-0.63	-8.37	-6.69
Hong Kong	-1.16	+2.26	-11.37	+4.67	+2.85	+4.73
Japan	-4.06	-9.56	-23.06	-20.60	-12.32	-10.71
Malaysia	-1.74	-3.07	-4.06	-2.24	-3.68	-1.91
New Zealand	-1.62	-3.93	-4.66	+1.54	+1.29	+3.15
Singapore	-1.07	-2.58	+1.72	-8.51	-7.82	-6.13
Canada	+2.41	+5.64	-0.88	+3.94	+2.03	+3.90
USA	+1.06	+2.44	+8.19	+9.02	+7.06	+9.02
Mexico	+8.09	+12.04	-25.49	-22.16	-45.16	-44.16
South Africa	-1.67	+0.84	-1.72	-12.26	-2.78	-1.00
WORLD INDEX	-0.60	-2.17	-7.22	-4.33	-1.68	+0.12

† Based on March 24, 1995.

EUROPE

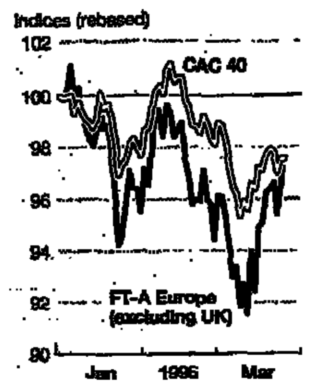
Steadier franc helps Paris extend its recovery

French equities extended their recent strength, the percentage point gain in the CAC-40 index in Paris offering a distinct contrast to weakness in Frankfurt and Zurich, *writes Our Markets Staff.*

PARIS took heart from a steadier franc, and continued to bask in its newfound status as a recovery play. The CAC-40 was short of the day's best at the close and activity for the first day of the new monthly account was relatively muted at FFr3.64bn. None the less the index ended 18.81 higher at 1,836.10, for a two-day gain of more than 40 points.

Foreign investors were said to be showing obvious interest, encouraged by the upturn in the franc; with the idea of a rally gaining ground in the run-up to the first round of the presidential elections on April 23, share prices stayed firm across the board.

Danone and Renault were the main features. Danone, the foods group, jumped FFr21 to FFr813 following Friday's announcement of better than expected results, while the motor giant hardened by FFr3.80 to FFr170.50 ahead of today's results.



Source: FT Graphite

Elsewhere, Eurotunnel recovered FFr1.05 to FFr19.80. Among insurers, GAN, which received news of a FFr2bn government capital injection on Friday, climbed FFr6.80 to FFr149.80, while its UIC unit put on FFr10.40 at FFr97.00.

FRANKFURT's Dax index hit 1,956.83 early in the morning, closed the session at 1,940.35 and fell to 1,928.82 in the post-bourse, down 7.05 on the day, as German equity turnover fell from DM7.2bn to DM4.9bn.

Chemicals were a barometer of the day's swings, with early gains on short-covering converted to falls in the end, BASF dropping DM5.80 to DM278.40 as the dollar weakened again and investors worried about the industry's profit margins ahead of the Hoechst press conference today, and that of BASF itself tomorrow.

The banking sector mused over the 1994 results from Commerzbank, and analysts' expectations of lower profits from the big three at the level of operating profit less risk provisions. Commerzbank said that profits were clearly down at that level, reported a higher net, and added a DM1.50 bonus to the DM12 annual dividend. It rose DM2 to DM319, as Deutsche Bank weakened DM9.40 to DM651.60.

Among engineers, Linde forecast at least 10 per cent profits growth this year after a 38 per cent rise in its 1994 net, and rose DM2.50 to DM750.

MILAN moved forward 2.1 per cent, although in thin volume, as hopes rose that talks between the government and unions on an overhaul of the pension system might soon come to fruition, and with the mood enlivened by 1994 results. The Comit index picked up 12.66 to 604.12.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Mar 27 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1253.16	1255.40	1255.60	1254.65	1258.99	1254.91	1255.14	1254.88
FT-SE Eurotrack 200	1366.37	1367.70	1367.97	1368.40	1367.44	1365.32	1368.75	1363.70

	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20
FT-SE Eurotrack 100	1241.50	1228.24	1250.31	1248.99	1244.62
FT-SE Eurotrack 200	1355.45	1345.44	1359.80	1358.03	1357.80

Base 1000 (26/10/90): High/day: 100 - 1257.27; 200 - 1368.20 Low/day: 100 - 1253.16 200 - 1363.34 † Partial

Pirelli advanced L67 to L2,143 after announcing that it returned to profit last year with a consolidated net profit of L146bn against a 1993 loss of L96bn.

Benetton, which raised its dividend on net profits which edged higher in 1994, gained L423 at L15,132. Rinascente rose L158 to L8,422 in spite of reporting lower 1994 net profits.

BCI was L78 higher at L3,271 ahead of its announcement of flat 1994 results.

ZURICH made an early attempt to maintain Friday's momentum before the market was again weighed down by the strength of the Swiss franc against the dollar and European currencies. The SMI index was finally 8.5 off at 2,518.1 after a day's high of 2,538.5.

UBS bearers fell SFr29 to SFr1,028 as investors registered their disappointment that the bank had been unable to resolve the dispute over the introduction of a single class of share with Mr Martin Ebner's BK Vision. Nestlé shed SFr14 to SFr1,118, with last week's outlook for 1995 continuing to depress the shares.

Sandoz registered firmed SFr2 to SFr755 after the company reported a strong start to 1995, but Ciba eased SFr1 to SFr744 ahead of results due today. Roche certificates moved up SFr70 to SFr6,540.

AMSTERDAM extended last Friday afternoon's rally, but in thin volume as the AEX index roose 2.18 to 393.24. Key cyclicals recovered: Hoogovens rose Fl 2.20 to Fl 62 after a drop of Fl 14.70, or 20 per cent since initial reaction to its results on March 16, and Akzo Nobel by DM3.80 to DM172 after losing DM25 in less than a month.

COPENHAGEN's KFX index closed unchanged at 91.30 in spite of an eye-catching shake-out at J. Lauritzen, the troubled shipping and shipbuilding group.

Lauritzen ended DKr230 lower at DKr910 following the announcement late on Friday of a reduced loss for 1994 but again no dividend. Danske and Unibank, the two leading banks, closed unchanged at DKr322 and DKr219 respectively.

ISTANBUL saw a degree of profit-taking, but the process was modified as traders simply switched from big winners to stocks with less share price appreciation. The composite index rose 704.30, or 1.9 per cent to yet another new all-time high of 37,397.49, taking its gains to 28.4 per cent on the month following a 15.4 per cent jump in February.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

ASIA PACIFIC

Nikkei halts six-day slide as Hong Kong jumps 2.4%

Tokyo

The Nikkei index reversed a six-day decline, rising 2.2 per cent on short-covering and arbitrage buying as selling pressure from corporate investors receded on the last day of March settlements, *writes Emiko Terazono in Tokyo.*

The 225 average closed above 16,000 for the first time in four trading days, gaining 346.48 at 16,096.25 after a day's low of 15,812.61 and high of 16,232.22. Share prices were pulled up by a rise in the futures market, which responded to higher prices in Chicago last Friday.

The Topix index of all first section stocks rallied 26.12 or 2.1 per cent to 1,265.79 and the Nikkei 300 by 5.09 or 2.3 per cent to 233.14. Advances outpaced declines by 832 to 242, with 110 issues unchanged. In London the ISE/Nikkei 50 index put on 2.97 at 1,050.47.

Volume totalled 303m shares, against 408m. Individual investors purchased to qualify for annual dividends, while corporate employee stock ownership funds were also active buyers.

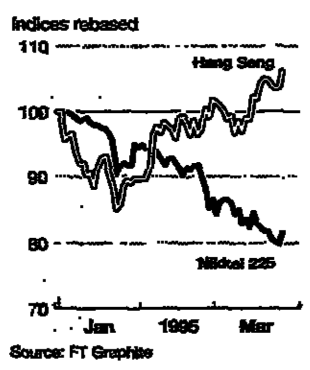
Bargain hunting and short-covering buoyed shares hit by corporate profit-taking last week. Iron and steels rose 3.9 per cent, banks by 3.7 per cent and brokers by 2.9 per cent.

Steels were among those actively traded. Nippon Steel advanced Y15 to Y322.

Industrial Bank of Japan moved ahead Y100 to Y2,040 and Mitsubishi Bank Y130 to Y1,990. Brokers had Nomura Securities up Y30 at Y1,530 and Nikko Securities ahead Y12 at Y761.

Kanematsu, a middle sized trading firm, fell Y11 to Y395. The company was hardly traded in the morning session as investors rushed to sell the stock on last week's announcement that it would post a net loss of Y9bn for the current fiscal year, due to losses at its oil trading subsidiary in Hong Kong. Other trading houses rose, with Mitsubishi gaining Y62 at Y1,040.

Japan and Hong Kong



Source: FT Graphite

Privatised issues were mixed. Nippon Telegraph and Telephone rose Y1,000 to Y702,000 and East Japan Railway put on Y17,000 at Y452,000. Japan Tobacco fell Y24,000 to Y805,000 on selling by some individuals looking to raise funds ahead of the listing of NTT Data Communications, an affiliate of NTT.

In Osaka, the OSE average improved 389.45 to 17,643.48 in volume of 199m shares.

Roundup

A broadly firmer tone was evident in much of the region.

HONG KONG finished 2.4 per cent higher but was unable to maintain its best levels of the day, in spite of positive government land auction results.

The Hang Seng index gained 202.88 at 8,687.54, having touched 8,715.16 at one point. Turnover swelled to HK$5.1bn from Friday's HK$3.4bn.

Among the property issues, Cheung Kong climbed HK$1.50 to HK$33.70, SHK Properties HK$1.75 to HK$54 and Henderson Land HK$1.10 to HK$44.30.

SINGAPORE was spurred higher by a late round of buying by foreign funds which took the Straits Times Industrial index up 34.2 or 1.7 per cent to 2,090.57.

The energy-related service group Van der Horst rose 26 cents to S$4.32 on speculation that it was about to secure several lucrative projects in Indonesia.

SHANGHAI's hard currency B shares index jumped 2.3 per cent, pulled higher by strong overseas markets and in a technical rebound after the market broke through a key support level last Friday. The index rose 1.260 to 56.121.

Analysts noted that many B shares were traded below their net asset value after the index fell below 55 points on Friday. But at the same time, recent year-end reports by B share companies revealed that most of them had posted good annual results for 1994.

The A index bounced 18.344 or 2.9 per cent to 650.948 in much increased turnover of Yn1.5bn.

SYDNEY shrugged off a weekend by-election defeat for the government, the All Ordinaries index firming 11.6 to 1,908.8. The All Industrials index put in an even more powerful performance, rising 21.4 to 2,873.4, although dealers warned that the upturn had been achieved in moderate trading volume.

WELLINGTON pushed ahead strongly, helped by Wall Street's firm close on Friday and a good day for the New Zealand bond market. The NZSE-40 index rose 20.29 to 1,957.59. Dealers said the index would have been up to 8 points higher but for the impact of a number of leading groups going ex-dividend.

TAIPEI rallied as a late wave of buying hoisted electronics and textiles shares. The weighted index, down 34.64 at one stage, closed 68.89 ahead at 6,470.28. Fears for the reintroduction of capital gains tax caused the early losses, but trust fund bargain hunting quickly reversed sentiment. Hualon gained T$2.2 at T$37.4.

BOMBAY firmed as speculators bought on rumours that India's capital market watchdog would announce its decision on forward trading this week. The BSE 30-share index put on 19.09 at 3,299.19.

KARACHI gained ground following what dealers described as a combination of short-covering and modest institutional support. The 100-share index built on Sunday's 1 per cent advance, adding 2.44 at 1,631.64.

KUALA LUMPUR was broadly lower as investors refrained from taking on fresh commitments ahead of Bank Negara's annual report, but selective shares rose on corporate announcements. The composite index ended 5.16 down at 952.74.

Analysts noted that the Bank Negara annual report tomorrow would give the first official figures for the country's current account deficit for 1994, which many have said will be much higher than official forecasts.

SEOUL edged down in thin, tight-ranged trading on blue chip consolidation, while small-capitalised shares and issues with low price/earnings ratios staged a technical rebound. The composite index slipped 1.67 points to 953.84.

S African golds close lower

Johannesburg was lower as a firm rand, limited bullion price movement and net foreign selling ahead of forthcoming gold mine results drove prices down. The overall index finished 31.1 weaker at 5,200.1, industrials fell 40.9 to 6,598.1 and the gold shares index slipped 14.4 to 1,357.8.

Quarterly gold mining results due next month are expected to fall, with continued labour disruption, a depressed gold price and unfavourable exchange rate expected to hit output and earnings.

De Beers ended 50 cents easier at R87.50 and Anglos was R1.50 cheaper at R195.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

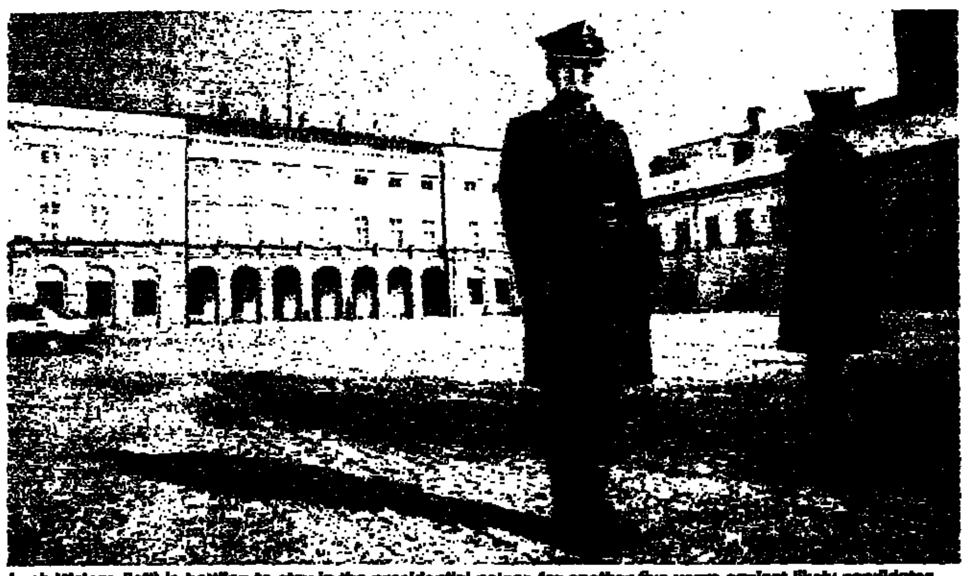
NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MARCH 24 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY MARCH 23 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	160.16	0.9	149.05	89.83	117.64	146.25	0.4	4.06	158.79	147.73	88.48	115.70	145.63	180.82	157.95	174.27
Austria (16)	183.85	-0.8	171.10	103.11	135.04	135.00	0.0	1.20	185.38	172.48	103.29	135.07	135.02	196.89	167.46	189.53
Belgium (35)	174.36	-0.8	162.27	97.79	128.07	125.29	-0.1	4.27	175.71	163.47	97.91	128.03	125.46	180.87	161.53	168.71
Brazil (28)	121.55	5.5	113.11	68.17	89.28	203.15	5.5	1.57	115.27	107.24	64.23	83.99	192.55	-	-	-
Canada (103)	134.44	0.9	125.11	75.40	98.75	136.61	0.7	2.56	133.27	123.98	74.26	97.10	135.71	140.25	120.54	138.60
Denmark (33)	257.44	-0.6	239.58	144.38	189.09	196.52	-0.6	1.60	259.06	241.01	144.35	188.76	197.66	275.27	236.61	261.17
Finland (24)	172.50	-1.2	160.53	96.74	126.70	159.59	-0.7	1.56	174.66	162.49	97.32	127.26	160.73	201.41	133.88	145.92
France (101)	171.34	1.2	159.45	96.09	125.85	133.60	1.1	3.20	169.33	157.53	94.35	123.36	132.17	180.93	157.79	174.26
Germany (58)	142.25	-1.6	132.38	79.78	104.48	104.48	-1.0	2.12	144.65	134.75	80.71	105.54	105.54	154.61	132.08	138.81
Hong Kong (56)	341.58	0.0	317.88	191.57	250.89	339.09	0.0	3.88	341.66	317.86	190.38	248.95	339.14	416.42	277.40	385.75
Ireland (16)	210.22	0.3	195.63	117.90	154.41	185.84	0.5	3.62	209.47	194.88	116.72	152.63	185.01	217.10	177.56	188.53
Italy (58)	67.56	1.9	62.87	37.89	49.62	86.79	1.5	1.90	66.30	61.68	36.94	48.31	85.55	97.78	65.45	76.19
Japan (484)	140.13	-1.4	130.41	78.59	102.93	78.59	-0.6	0.97	142.13	132.23	79.20	103.56	79.20	170.10	136.95	152.05
Malaysia (97)	470.20	0.2	437.58	263.71	345.37	460.87	0.0	1.71	469.38	436.68	261.55	342.01	460.94	594.78	398.16	457.98
Mexico (18)	790.84	9.9	735.97	443.54	580.87	5935.94	6.7	1.83	719.81	669.65	401.08	524.47	5584.13	2414.12	647.81	2188.23
Netherland (19)	228.30	-0.2	212.46	128.04	167.69	165.00	0.6	3.74	228.75	212.82	127.47	166.68	164.09	232.41	191.28	197.13
New Zealand (14)	72.67	0.4	67.63	40.76	53.38	59.34	0.0	4.97	72.39	67.35	40.34	52.75	59.34	77.20	62.05	66.38
Norway (23)	205.19	-0.4	190.95	115.08	150.71	175.18	0.1	2.25	206.08	191.72	114.83	150.16	175.06	216.03	177.53	199.93
Singapore (44)	350.19	-1.5	325.89	196.40	257.22	229.32	-1.1	1.87	355.66	330.88	198.18	259.15	231.88	401.38	297.62	308.81
South Africa (59)	333.35	-0.9	310.22	186.96	244.85	263.12	-0.6	2.59	336.48	313.04	187.49	245.17	264.78	342.00	205.55	283.42
Spain (39)	124.26	0.1	115.64	69.69	91.27	122.15	0.6	4.52	124.10	115.45	69.15	90.42	121.45	150.21	124.10	144.21
Sweden (48)	235.08	0.8	218.77	131.84	172.67	254.68	1.1	2.23	233.21	216.96	129.95	169.92	251.33	247.40	196.70	213.14
Switzerland (47)	177.75	0.7	165.42	99.69	130.56	129.04	1.6	1.90	176.45	164.16	98.32	128.57	127.00	179.86	149.91	163.45
Thailand (46)	139.12	-1.1	129.47	78.02	102.18	133.36	-1.1	3.10	140.63	130.83	78.36	102.47	134.81	-	-	-
United Kingdom (203)	203.31	0.6	189.20	114.02	149.33	189.20	0.6	4.32	202.32	188.22	112.73	147.42	188.22	205.58	181.11	191.78
USA (511)	204.70	1.0	190.49	114.80	150.35	204.70	1.0	2.77	202.65	188.53	112.92	147.86	202.65	204.70	178.95	189.21
Americas (880)	187.36	1.1	174.36	105.08	137.61	157.43	1.1	2.74	185.31	172.40	103.26	135.02	155.76	-	-	-
Europe (719)	173.19	0.2	161.17	97.13	127.21	146.90	0.5	3.30	172.79	160.75	96.28	125.90	146.15	176.01	160.59	167.13
Nordic (126)	224.50	0.1	208.92	125.91	164.89	201.96	0.4	2.00	224.27	208.64	124.96	163.40	201.16	235.72	197.70	207.17
Pacific Basin (809)	148.89	-1.2	138.56	83.50	109.36	88.77	-0.7	1.35	150.65	140.16	83.95	109.77	89.35	176.86	145.93	160.86
Euro-Pacific (1528)	158.92	-0.5	147.89	89.13	116.72	110.71	-0.1	2.23	159.78	148.65	89.03	116.42	110.85	175.14	154.73	163.32
North America (614)	200.34	1.0	186.44	112.36	147.15	200.05	1.0	2.76	198.35	184.53	110.52	144.52	198.06	200.34	175.67	186.06
Europe Ex. UK (516)	153.56	0.1	142.91	86.12	112.79	123.67	0.5	2.71	153.44	142.75	85.50	111.80	123.04	158.19	144.12	150.15
Pacific Ex. Japan (325)	233.90	0.1	217.67	131.18	171.80	207.31	-0.1	3.29	233.75	217.46	130.25	170.32	207.43	273.13	211.19	246.99
World Ex. US (1736)	159.65	-0.4	148.57	89.54	117.26	114.09	-0.1	2.24	160.34	149.17	89.34	116.83	114.16	176.65	155.42	164.99
World Ex. UK (2044)	170.41	0.1	158.59	95.57	125.17	135.75	0.3	2.24	170.30	158.43	94.89	124.09	135.32	178.59	163.46	170.12
World Ex. Japan (1763)	192.43	0.7	179.08	107.92	141.34	179.90	0.8	2.98	191.14	177.83	106.51	139.27	178.55	192.43	176.34	184.54
The World Index (2247)	173.28	0.1	161.26	97.18	127.27	140.37	0.3	2.44	173.10	161.03	96.45	126.12	139.89	180.80	166.92	172.04

Latest prices were unavailable for this edition.

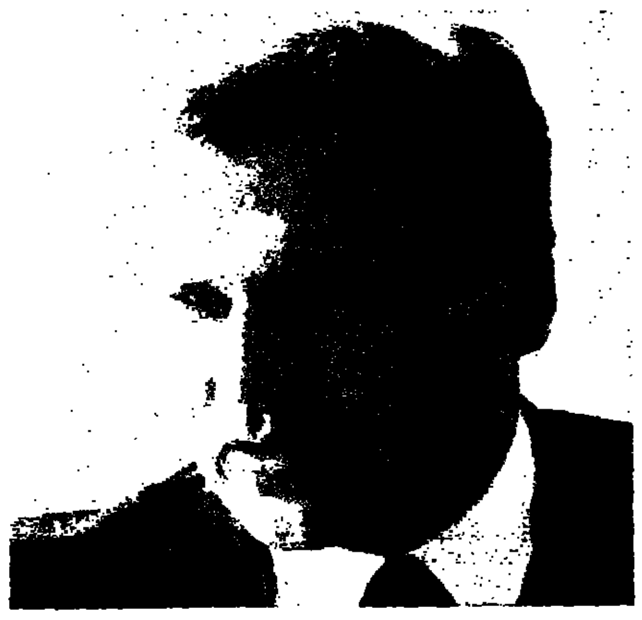
FINANCIAL TIMES SURVEY

POLAND

Tuesday March 28 1995



Lech Walesa (left) is battling to stay in the presidential palace for another five years against likely candidates such as Alexander Kwasniewski (right). The election takes place in the autumn (See page 9)



Editorial production: Roy Terry

A chance to catch up on lost time

Rapid growth and a 38.6m population enjoying rising incomes have made Poland one of the most promising emerging markets, write **Anthony Robinson** and **Christopher Bobinski**

Poland faces six months of political theatre as President Lech Walesa fights for re-election to another five-year presidential term in the autumn. But the economy is poised for another year of rapid, export-led growth and millions of Poles away from the hot-house political salons of Warsaw are unlikely to be too distracted by the intrigues and intra-party feuding which characterises the political scene.

The presidential election campaign will rumble along an as yet unpredictable course because Mr Walesa's main opponents have still to declare themselves. But the risk of further political turmoil was averted on March 3 when Alexander Oleksy, a former communist minister, was sworn in as the prime minister of a new coalition government.

The formation of a new government removed the spectre of a dangerous political vacuum created by Mr Walesa's personal attack on Waldemar Pawlak, the former prime minister, which carried with it the risk of dissolution of parliament and early general elections coinciding with the presidential campaign. The new coalition government is dominated by the former communists-turned-social-democrats of the Democratic Left Alliance (SLD) while the former coalition was led by Mr Pawlak's Peasánt Party (PSL), which also has its roots in the communist past.

The two parties forged a government alliance after the September 1993 elections which saw a shift of votes back to "left-wing" parties, accompanied by a humiliating defeat for the anti-communist Solidarity party and a plethora of small right-wing parties. Solidarity was relegated to third place and has since merged with the pro-business Liberal Democratic Congress (KLD) to form the Freedom Union (UW). The coalition partners do not trust each other and in the long run SLD strategists, such as Alexander Kwasniewski, who remains a power behind the scenes, would like to forge a centre-left alliance with the Freedom Union. If it happens, this would give the former communists the respectability they crave and help to make the social democrats part of a broad-based centrist coalition.

But that lies in the uncertain future. Meanwhile, the two existing coalition partners enjoy a large parliamentary majority. They are not interested in forcing early elections and, above all, have the good fortune to be presiding over an export-led economic recovery. As in much of postwar Italy, the impression of political volatility masks an underlying stability and the channelling of energy into economic development and social progress.

Official statistics point to 5.5 per cent growth in the gross domestic product (GDP) last year. But informed outsiders in the international financial institutions are convinced that real growth, including the contribution from the thriving "grey" economy, was well over 6 per cent. It is likely to be at least as high in 1995.

The combination of rapid growth and a 38.6m population enjoying rising real incomes after years of deprivation has turned Poland into one of the most promising emerging markets. Given the political will to tackle structural weaknesses, such as the slow pace of privatisation, the over-generous pensions for 9m Poles and further capital market and banking reforms, Poland could be looking forward to decades of rapid economic growth.

The model is Spain which has a similar population, had a similar level of GDP in the mid-50s but then went on to liberalise its economy and society and enjoyed a foreign and domestic investment boom in the late 1970s and 1980s. Meanwhile, Poland languished under martial law. The result is that Spain now boasts a GDP almost seven times higher than Poland.

Given sound economic policies, reasonably stable politics and a welcoming attitude to foreign investment, Poland has the chance to catch up on lost time. The aim is to prepare the country for full membership of the European economic and security institutions by 2000.

The foundations of Poland's remarkable economic renaissance were laid by the "shock therapy" economic reforms of the first post-communist Solidarity government. That government, led by Tadeusz Mazowiecki, gave a free rein to Leszek Balcerowicz, the intense, ascetic finance minister. Mr Balcerowicz, a former academic who is now seeking a political come-back as a potential leader of the Freedom Union, inherited a near bankrupt economy and hyper-inflation in 1989.

Within weeks of introducing a multi-pronged stabilisation programme in January 1990 inflation started to fall, the formerly despised zloty was transformed into an internally convertible currency, and traders and exporters started to implement a dramatic shift away from the former Comecon markets to the markets of western Europe and beyond.

Success has brought a new self-confidence. More than 2m Poles have set up businesses over the last five years. They employ a third of Poland's 8.5m workforce and account for more than 50 per cent of exports. Some have become rich. Many have failed. Most are struggling, limited by shortage of capital, difficult access to a generally risk-averse banking system and subject to an increasingly efficient and onerous tax collection system.

But the new private entrepreneurs have given the Polish economy a new flexibility and dynamism and contributed strongly to higher productivity and rising prosperity.

But not only the private sector has benefited from market-related macro-economic reforms and democracy. Visit the state-owned copper mines, factories and shipyards of Poland and one meets a new managerial class. They are mainly young men and women in their mid-30s or early-40s who have introduced new technology and private sector working methods into formerly bureaucratic dinosaurs.

Sober and hard-working, such people have turned around many loss-making enterprises, cut bloated work forces and improved product quality to compete on western markets. Some are transforming former state monopoly foreign trade companies into privatised, export-orientated industrial holding companies. Others are restructuring enterprises to increase their asset value prior to a form of privatisation which will leave decision-making and profits in the hands of management, workers and domestic investors.

Often, there is more than a tinge of economic nationalism in the thinking of the new managerial class, and a reluctance to hand over enterprises to foreign strategic investors, except as the last resort or when the technology, skills and capital needed are simply not available.

In some cases resistance to privatisation has harmed the long-term viability of state-owned companies. The belief that Poles themselves are capable of doing most of the things required to turn the economy into a competitive force is one of the reasons why Poland has been slower and less enthusiastic about privatisation than, for example, the Czech Republic. There is a risk of hubris here which could deter foreign investment on the scale which is needed to fund the huge infrastructure and other projects.

For 130 years Poles kept the idea of Poland and Polish culture alive while the country no longer existed, partitioned as it was between Austria, Prussia and Russia. The force of Polish nationalism also played a crucial role in undermining Soviet imperialism. The main question facing the country is whether its political rulers can harness these strengths to push through painful reform of the social security and other institutions.

Such reforms are needed to attract the investment and ensure the continuing economic growth which will provide jobs for the new generation and create the middle class that underpins democracy. To pretend otherwise in a populist campaign for cheap votes in the presidential election campaign could cost Poland dear.

POLAND 2: THE ECONOMY AND POLITICS

ECONOMY: **Anthony Robinson** discusses the export-led surge

Shock therapy works a miracle

Only the faithful, or the congenitally optimistic, would have wagered at the onset of Poland's "shock therapy" reforms in 1990 that within five years the bankrupt economy could be enjoying an export-led surge. But that is what has happened.

By liberalising trade and making the zloty internally convertible, Leszek Balcerowicz, the then finance minister, liberated the energies of Poland's entrepreneurial traders. Last year the economic recovery in Germany and the unexpectedly rapid increase in world trade did the rest.

In 1994, Polish exports soared more than 20 per cent to $17bn while imports grew at a more modest 13.5 per cent to $21.4bn.

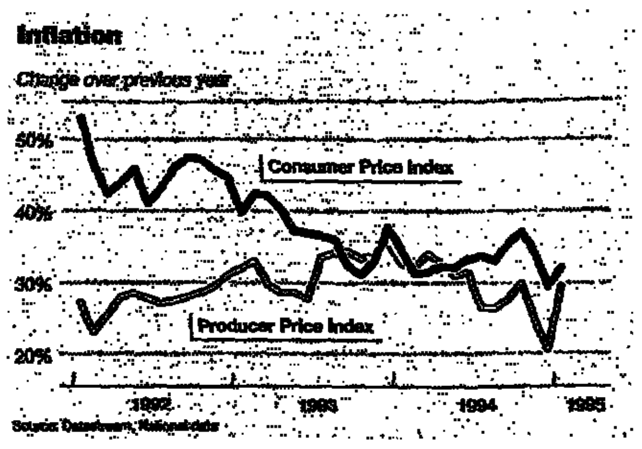
Polish industry's ability to take advantage of the recovery in the EU and other developed markets, which now account for more than 70 per cent of its trade, reflected large productivity and efficiency gains in crucial sectors of the economy, such as shipbuilding, electrical engineering and cars, especially over the past two or three years.

The sharp increase in world market copper and other non-ferrous metals prices also benefited Polish copper exporters while the strong demand for steel helped sustain output in the coal and iron and steel sectors which have been relatively slow to restructure, cut costs and raise productivity.

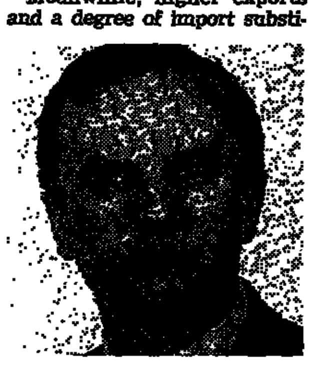
Last year, according to Grzegorz Kolodko, who was re-appointed finance minister and minister in overall charge of economic reform in the new government, labour productivity rose between 14-17 per cent. This helped cut unit costs and improve competitiveness and allow a 4-7 per cent rise in real wages, depending on the sector.

Higher productivity also raised the profitability and self-financing capacity of many companies. This has made them less reliant on inflexible and expensive finance from a banking system which remains risk averse and more attracted to risk-free financing of the budget deficit than supplying credit to enterprises.

Despite a 12-month decline in share prices on the Warsaw Stock Exchange a number of quoted companies, including banks, managed to raise more than $3bn in new equity last year. This reflects the growing status of Warsaw's well-run and transparent stock exchange whose disclosure rules have done much to raise the quality of company reporting in a short time.



Meanwhile, higher exports and a degree of import substitution from newly efficient and re-equipped domestic companies have fuelled a sharp rise in industrial production which, by the start of this year, was running 15 per cent above levels a year ago. More than two thirds of the estimated 6 per cent rise in gross domestic product (GDP) last year was stimulated by external demand.


Grzegorz Kolodko: re-appointed finance minister

Higher export receipts, including an estimated $3-$5bn income from cross-border trade not recorded by the customs, also resulted in a sharp rise in the net reserves of the banking system to $11.8bn by the end of January this year.

The large and continuing inflow of foreign currency into the reserves prompted the independent National Bank of Poland (NBP) in mid-March to cut the automatic "crawling peg" devaluation of the zloty to a monthly rate of 1.2 per cent and make other technical adjustments which amounted to a small revaluation.

The central bank is under some pressure to further reduce the crawling peg devaluation rate or drop it altogether. One alternative is to revert to the fixed exchange rate which was one of the main policy anchors during the first 17 months of the Balcerowicz plan.

The IMF, which originally suggested the crawling peg system, is now believed to advocate its removal. Critics say that the automatic devaluation process has been a principal factor behind Poland's still stubbornly high inflation.

Last year inflation, measured by the consumer price index (cpi), fell to 32.2 per cent from 37.6 per cent in 1993, but this was higher than the planned 28-29 per cent. In January the cpi jumped 3.9 per cent, mainly because of higher food prices.

The monthly rate fell back in February, but the government's target of reducing inflation to an annual 17 per cent this year looks to be out of reach unless there are policy changes, especially the long-promised shift from wage-linked to price-linked pensions. This can be ruled out in a presidential election year given the political clout of Poland's 9m pensioners, nearly one quarter of the 38.5m population.

Inflation remains stubbornly high, but last year the government comfortably fulfilled all the IMF's performance criteria connected to the current standby loan agreement. The general government deficit, for example, was reduced to only 2.4 per cent of GDP, compared to the target of 3.6 per cent.

While tight control over government spending helped, the main reason for over-performance in this area has been the government's success in raising new taxes such as VAT, which was introduced in 1993, and better tax collection.

Last year, according to Mr Kolodko, the number of tax payers rose 20 per cent while tax revenues grew by 38 per cent, way above inflation.

The danger here is that higher taxation risks stifling the profitability and growth potential of the economy, particularly the private sector which last year accounted for more than 50 per cent of exports and 33 per cent of overall employment.

Other areas of concern include the slow rate of privatisation, the oversized state sector, and the need for further reforms in the banking and financial system. But the main priority in a country which needs rapid economic growth to provide jobs for an avalanche of new job-seekers and heavy investment in long-neglected education, health and other public services is to reform the pension system.

Spending on pensions and other transfer payments to Poland's 9m pensioners has risen from 17.4 per cent to 22.4 per cent of steadily rising total government spending over the past five years, crowding out all other claims on the budget.

Unless this inexorable rise can be stopped, by linking automatic pension increases to the price index rather than to the higher wage index, for example, Poland will not be able to bring inflation down to EU-entry compatible levels.

Neither will it be able to ensure that the job and wealth creating private and public sectors of the economy can function without crippling tax or interest rates. The economic ball is firmly in the politicians' court.

POLITICS: a vacuum is filled, says **Anthony Robinson**

Wheel turns full circle

Fears that Poland could face a potentially risky vacuum of power and early elections were removed earlier this month when President Lech Walesa finally agreed to swear in Poland's sixth post-communist government. A three-month-long crisis, sparked off by Mr Walesa's attacks on Waldemar Pawlak, the peasant party (PSL) leader and outgoing prime minister, ended with the appointment of Jozef Oleksy as prime minister of a new coalition government. This time the former communists-turned-social-democrats of the Democratic Left Alliance (SLD) are in the driving seat.

Mr Oleksy was the minister in charge of negotiations with the trade unions five years ago when Mr Walesa, then a Solidarity strike leader, and the junior minister faced each other across the famous "round table" during negotiations which led to the bloodless defeat of communism.

Polish politics, in short, appears to have come full circle. But Poland and the world have changed over these few action-packed years. The Soviet Union no longer exists and Poland is no longer occupied by Soviet troops. Poland itself is well on the way to becoming a fully-fledged market economy. A new property-owning middle class is emerging.


Josef Oleksy (centre) is voted in as Poland's new prime minister

The former communists have also changed, to the extent that it is possible to change the human mind-set beyond a certain age. Important figures in the present power structure, such as Mr Oleksy, Labour minister Leszek Miller or party strategist Alexander Kwasniewski, knew the old system from the inside. They knew its weaknesses and stupidities as well as its hidden strengths. They seem genuinely relieved to be able to operate in a freer and more rational political and economic environment. "Please judge us by what we do now and in the future, not by the membership card we once held in the past," Alexander Oleksy, the prime minister urges.

The chances are that the new coalition government of neo-social democrats and peasants will prove more efficient than its Peasant Party-led predecessor in pushing through privatisation and other structural reforms. Grzegorz Kolodko was reconfirmed as finance minister. He will continue to run a tight budgetary and fiscal policy and is also responsible for streamlining and simplifying the economic decision-making structure of the government.

At the same time Wieslaw Kaczmarek, the privatisation minister, who has also been reconfirmed in his post, has pledged to press for the rapid privatisation of important industries such as tobacco, shipbuilding and copper mining, and will forge ahead with mass privatisation.

But a senior political figure, who was a communist party member, warns: "The risk is that many of those with a communist past do not really believe in anything. They can operate within any political system. They are adept at keeping their nose three inches from an invisible political wall. When the wall moves back they take advantage of the greater liberty. But if the invisible wall ever advanced again they would accommodate themselves to that new reality."

While there is an element of truth in that assessment it is also fair to say that the intellectuals and amateur politicians who were brave enough to assume the responsibilities of government in 1989 have not proved very adept at building solid political structures and efficient party organisations. Democratic politics remain very personal, riven by rivalries and intrigues, and heavily concentrated in the capital Warsaw which seems another country for the millions of Poles who continue to live in small villages and towns.

Poland also suffers from an ambiguous, ill-defined system of dual power. The presidency is a directly elected post and the partially revised "small constitution" gives the president considerable powers and privileges, including near-veto powers over the choice of candidate for three important "power ministries" - defence, foreign affairs and internal affairs.

The constitutional changes were tailor-made for Mr Walesa, but have lead to constant power struggles between the presidency and the government. Meanwhile, Mr Walesa seems increasingly divorced from the lives and aspirations of ordinary Poles, surrounding himself with a small group of personal advisers, some with shady past connections with the former communist security police. The similarities with Russia are all too obvious, and worrying for those who wish to assert Poland's "westerness" and belief in open politics.

Tension between an elected president and an equally democratically-elected government is a constant factor of political life which also runs like a leitmotiv through the presidential election campaign now in course. There is always the risk that a manoeuvre intended to raise the electoral chance of the president or his as yet unknown rivals will undermine or derail the government.

At this early stage Mr Walesa is performing poorly in the public opinion polls. The FT's informal straw poll, taken while travelling through the country this month, showed that Mr Walesa is widely regarded as a trouble-maker who played a crucial role in helping to bury communism but is no longer seen by many Poles to be sufficiently qualified in all walks of life to represent the new Poland.

But the prospect of early retirement is deeply unattractive to the 52-year-old president. He recently moved from the modest Belveder palace close to the former Soviet embassy into a much bigger and expensively refurbished presidential palace. He was the first to throw his hat into the ring and announce his candidature. What he does not yet know is who will be his main opponent.

In 1990 he undermined the first Solidarity government by insisting on presidential elections. But his expectation of election by plebiscite proved way off the mark. He defeated Tadeusz Mazowiecki, the prime minister who was the Solidarity candidate, but was forced into a humiliating second round run-off against Stanislaw Tyminski, an obscure Polish-Canadian emigrant.

An enormous capital of political goodwill and willingness to sustain the costs of economic reform and political transformation was dissipated during the first presidential campaign. It remains to be seen whether the country will pass unscathed through the second.

POLAND 3: BACKGROUND TO THE ECONOMY

FOREIGN TRADE: **Anthony Robinson reports**

Rise in exports boosts growth

The accelerating growth of the Polish economy last year was fuelled by a 20 per cent rise in exports to $17.04bn, as officially recorded by the customs. But when unrecorded cross-border trade and other factors are taken into account, exports on a payments basis are estimated to have risen by 25 per cent, fuelling a rapid accumulation of hard currency reserves.

The combination of rising labour productivity, a relatively undervalued zloty and recovery in the crucial German and other markets kept export demand strong last year. But concern that the undervalued zloty was contributing to inflationary pressures led to a reduction in the automatic "crawling peg" monthly devaluation rate to 1.2 per cent in February. A harder zloty is likely to dampen export growth and encourage imports.

Last year imports were surprisingly subdued, given a nearly 12 per cent rise in industrial production and a 5-7 per cent rise in real wages. On a customs basis imports rose by 13.5 per cent to $21.38bn and by 7 per cent in volume.

The slow growth of imports was partly a reflection of sluggish investment while an undervalued currency and higher food prices stimulated import substitution by newly efficient Polish producers of consumer durables and other products.

As a result the trade deficit fell to $4.34bn from more than $6bn in 1993. The deficit on EU trade accounted for $1.64bn of the total, despite the much-vaunted "asymetrical" nature of the EU association agreement which is designed to favour the former communist countries.

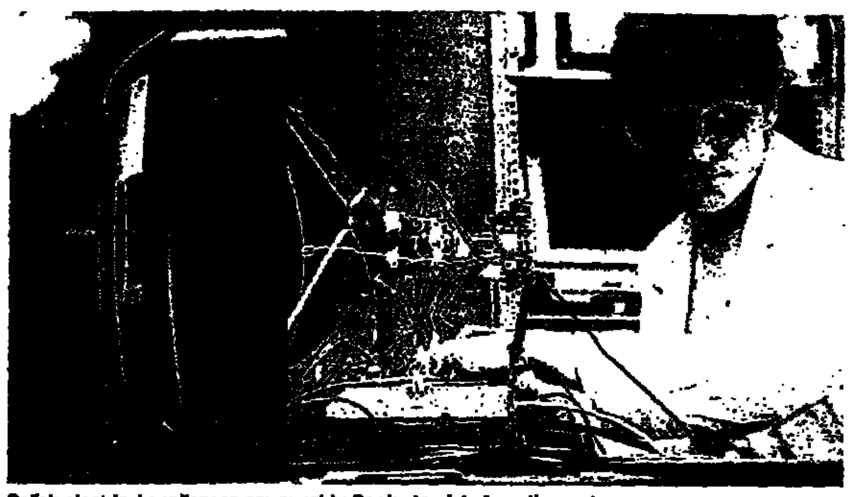
Last year, however, the deficit on Poland's EU trade fell slightly. The value of exports to EU markets rose 19 per cent to $10.67bn, accounting for 62.6 per cent of total exports. Imports from EU countries, meanwhile, rose only 14 per cent to $12.31,accounting for 57.5 per cent of total imports.

Germany remains far and way Poland's biggest trade partner, having replaced the former Soviet Union as soon as the "shock therapy" reforms of 1990 made it possible to trade freely with a heavily undervalued but internally convertible Zloty.

Last year Polish exports to Germany rose 18 per cent to $6.09bn, some 35.7 per cent of total Polish exports while imports increased 11 per cent to $5.88bn, 27.5 per cent of the total. The Netherlands, Russia, Italy and the UK were the next most important markets.

But last year also saw clear evidence of a recovery in trade with the former Soviet Union and other former Comecon countries which are now partners in the Central European Free Trade Area (Cefta).

Exports to Russia rose 42.5 per cent to $919m while imports, mainly oil and gas, rose 14 per cent in value to $1.45bn. Exports to the Czech Republic also rose sharply, climbing 32 per cent to $452m as Polish coal mines stepped up sales to Czech industries just over the border.



Polish electrical appliances are sought after by tourists from the east — Picture: Piotr Malecki

Tourists help the recovery

Poland's official trade figures, based on customs statistics, do not tell the whole story of the country's remarkable export-led growth.

Andrzej Burt, the minister for foreign trade relations, says that total exports last year were from $3bn to $5bn higher than the $17.04bn registered by the customs.

The discrepancy is due to the high volume of unregistered cross-border trade on both the German and eastern frontiers.

Last year more than 74m foreigners crossed Poland's borders, of whom 47.5m or 64 per cent of the total, were Germans, mainly those living close to the border. Western shoppers are believed to have spent well over $2bn last year. They bought mainly cheaper petrol, food and textiles from the supermarkets and stalls which have sprung up just inside Poland.

But 36 per cent of the visitors to Poland last year came from former Comecon countries, especially Ukrainians, Russians, Belorussians and Lithuanians. Many may have had to wait hours or days to actually cross the crowded frontier points. But Poland is far more accessible and attractive than any other country in the region. None of the visitors from the east needs visas to enter Poland to trade and buy consumer goods for resale.

Poles remain aware that their own capitalist revolution after 1990 depended partly on re-investment of the quick profits accumulated from buying western products at Berlin supermarkets for resale. But the privileged access to European Union markets enjoyed by Poles and other central Europeans is not available to those further east for whom access to EU countries is restricted by visa requirements.

Poland's porous eastern border does carry security risks of penetration by Mafia-style gangs and a clandestine trade in guns, drugs and other shady activities. But, on balance, relatively easy access to Poland for citizens from the former Soviet states has revived earlier cultural and trade links while providing an economic lifeline for the impoverished border regions where unemployment is high.

Five years after Poles went west to buy scarce high-quality consumer goods in the west it is also a source of pride that many Polish factories are now producing the western-style products for which there is a ready market in the east.

The vast majority of visitors from the east are small traders who buy mainly foodstuffs, electric appliances and textiles. Last year the number of Ukrainian visitors rose 37 per cent to 3.2m while Russian visitors increased by 55 per cent to 2.4m, many from the Kaliningrad enclave, while 2.2m came from adjacent Belorussia and 1m from Lithuania.

Collectively, visitors from the east are estimated to have bought goods worth $2-$3bn in Poland last year. Such sales boosted hard currency reserves and helped to fuel the recovery of formerly depressed textile producing areas such as Lodz.

History is thus repeating itself. Towns such as Lodz became rich in the 19th century making cheap textiles for sale in Russia. The town's economy declined miserably after the collapse of official trade with the former Soviet bloc in 1990.

Now Lodz, like other smaller industrial towns, is recovering, partly because of the resumption of trade with the east on an individual, free-market trading basis, not state-to-state agreements and the planned targets of old.

In a broader perspective, Poland's growing importance as a supplier of goods to the east should also increase its attractiveness to foreign companies anxious to make inroads into such markets.

Anthony Robinson

FOREIGN TRADE ORGANISATIONS

New lease of life for a relic of communist past

One of the most surprising phenomenons in Poland's export-led industrial recovery is the renaissance of the country's foreign trade organisations (FTOs). Once seen as a relic of the communist past many have found a new lease of life and have become industrial holding companies with the potential to wield considerable economic influence.

Once the FTOs were all-powerful monopolies which functioned as the state-owned factories' links with the outside world. Their executives were envied for their foreign travel, periodic foreign postings and access to hard currency.

All that changed with centralising reforms in the 1980s and the introduction of internal convertibility in 1990. This meant that foreign trade was open to all and the future of FTOs was threatened.

Yet, revamped FTOs survived to handle more than 30 per cent of Poland's $38bn foreign trade turnover last year. For many life has never been better. The drastic devaluation of the zloty in 1990, part of the shock therapy reforms, brought a sharp increase in sales abroad and higher profits. In 1991 and 1992, when recession set in, their windfall gains provided the capital needed to bolster the finances of ailing industrial partners who could not afford high bank interest rates for short-term loans. The FTOs became a financial lifeline for factories which received loans or pre-payment for export goods. But the economic upturn in 1992, which brought increased profits to producers of export goods, meant that the FTOs were in danger of becoming redundant as domestic industry began to find its own feet. The search for a new role then began then in earnest.

The opportunity for reconstruction came through privatisation as the government began to sell off the foreign traders. About 30 FTOs remain in state hands. Impexmetal, once the sole trader in Polish copper, and Inter-Vis, which specialises in machinery, are among those due to be sold this year.

One of the first to be privatised was Elektrim, which specialised in power and telecommunications equipment. Its Warsaw Stock Exchange listing has allowed it to pursue a policy of acquiring the plants whose goods it once only traded.

"Who better to buy these factories then we who know them inside out?" Elektrim executives say. And the company's willingness to buy, gave the government an opportunity to sell plants to local investors and thus to deflect criticism that foreigners were getting all the best deals. Elektrim, for example, backed by the Export Development Bank (BRE), purchased a controlling share in the Bydgoszcz Cable Factory (BFK) against a very competitive bid from Siemens.

The next step in the Elektrim strategy was to partially float off the companies it had bought. But the downturn in the past year on the WSE has meant that this policy is now faltering. Nor can the company count on new share issues to raise funds for further acquisitions.

The stock exchange slump has also hit other foreign traders who had counted on the market providing funds for acquisitions. The initial public offers of Agros, a trader in processed foods, Rolimpex, a bulk agricultural goods importer and exporter, and Stalexport, which specialised in steel, were successful. But the share price has since slipped, dismaying small investors who voiced their disapproval at last month's shareholders' meeting.

Shareholders were asked to approve a new share issue and the issue of global depositary receipts. Small investors argued that a new share issue would depress the share price still further. They were backed by Bank Handlowy, a substantial shareholder, and by the Boston-based Pioneer Fund, Poland's only mutual fund.

Ryszard Harhala, Stalexport's managing director, secured approval only with support from the state treasury which still holds a 35 per cent stake in the company. He argued that Stalexport had already invested in steel mills in Ostrowiec, Laziska and Gliwice but that new funds were needed to continue the process. He pointed to last year's net profit of 37.4m zlotys as a measure of success and predicted that this year's profit would reach 50m zlotys.

Universal, whose forte is white goods, and which was the first privatisation in 1990, is another former FTO to come up against the capital market barrier. The company's delayed share issue will go ahead next month. It is partly reserved for two UK investors, Ullman Shore and Servepart. Richard Rowe, a director of Ullman Shore, is also the deputy chairman of Universal's supervisory board. His links with the company go back to before 1989 when he acted as one of its UK trade agents.

Christopher Bobinski

Prey to political manoeuvring

Not all foreign trade organisations (FTOs) have successfully transformed themselves. The recent history of Ciech, a state-owned FTO which specialises in oil and petrol imports as well as pharmaceuticals and chemical products, shows how vulnerable such companies can still be to political influence.

Last August, the foreign trade ministry, then led by Leslaw Podkanski of the Peasant Party (PSL), sacked Marian Malecki, a manager with years of experience, to win PSL control over a crucial sector of the economy. He was replaced by Zdzislaw Matkiewicz, over the head of almost unanimous and, as it turned out, futile resistance from the staff of 700 and industrial managers.

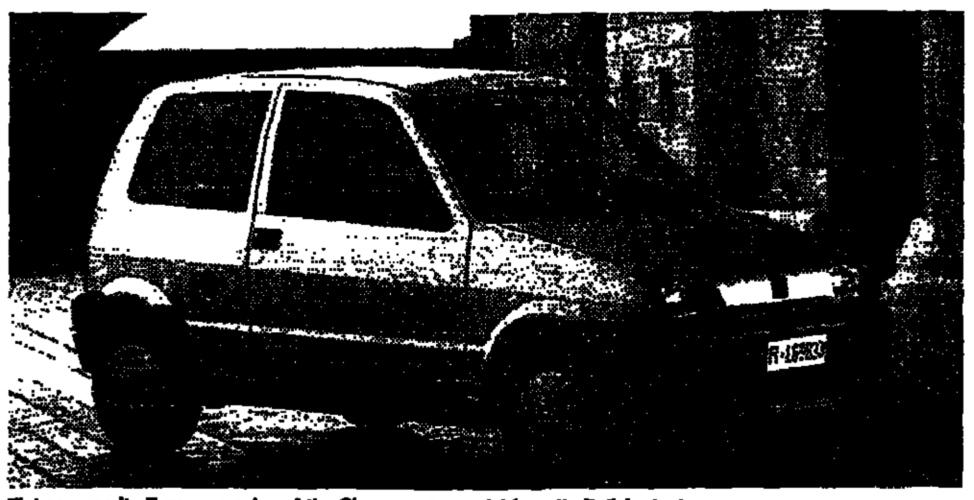
The minister talked grandly of building Ciech into a state-owned, vertically-integrated holding company like other former FTOs and based on an innovative privatisation scheme pioneered by Mr Malecki when he was still at the head of Ciech.

Mr Malecki's plan assumed that the privatisation of Ciech itself with a turnover of $2bn in 1993 and $1.3bn last year, was politically difficult to achieve because it was a high profile company in a sensitive sector. Instead, Ciech established Chemico, a new company controlled by the state-owned trader, but with a slight majority of private owners. Its function was to raise capital at home and abroad, and invest in domestic industry. A main plank of the programme was a plan to go ahead with Agip of Italy, and invest in the Gdansk Oil Refinery, one of Poland's two main refineries.

The sacking of Mr Malecki destroyed the Chemico concept, while Mr Matkiewicz's future is now in doubt after Mr Podkanski lost his job at the foreign trade ministry in the latest reshuffle. Meanwhile, the refineries which imported less and less of their oil through Ciech in recent years, are likely to import their 1995 requirement directly, excluding middleman Ciech from the profits. Mr Podkanski's vision of turning Ciech into a powerful and profitable industrial holding company seems to have evaporated.

INVESTMENT: fight is on to attract capital, says **Anthony Robinson**

In search of foreign finance



Fiat sources its European sales of the Cinquecento model from its Polish plant

Poland's capital needs far exceed domestic capabilities and large amounts of foreign finance will be required to revitalise the economy, build motorways, modernise telecommunications and prepare for entry into the European Union by the turn of the century.

Large increases in labour productivity have enabled many Polish enterprises to generate modest financial surpluses for re-investment. Listing on the Warsaw Stock Exchange has also enabled a small but growing number of polish companies to raise fresh equity capital through public share offers. Nearly $3bn was raised in this way last year.

But few Polish companies are able to finance their own expansion from cash flow while hyper-inflation in the late 1980s wiped out the savings of millions of people. This increases the reliance on foreign sources of capital until higher incomes can generate higher domestic savings with the aid of still fledgling institutions such as pension funds and insurance companies.

Thus far Poland has attracted relatively little foreign capital, despite the attractions of a market of 38.5m people, relatively high skill levels and low wage costs. A perception of political instability after six changes of government in five years, a pervading suspicion of the motives of foreign investors and the legacy of the Polish government's default on its foreign debt in the 1980s are among the negative factors which have to be removed if Poland is to compete effectively for global funds.

According to a study by Schroders Polska, the Polish subsidiary of the UK-based investment bank, only $1.1bn in long-term capital flowed into Poland between 1990 and March 1994, plus a mere $250m of net portfolio investment. Only a quarter went into relatively high-tech industries. The bulk of investment to date was by the multinational food and household product corporations, including Coca-Cola, PepsiCo and the detergent companies.

With an $8bn-$10bn investment programme for motorways alone over the next 20 years, and similar demands for the improvement of telecommunications and other infrastructure, Poland will have to fight harder to attract foreign capital against strong competition from other emerging markets, the report says.

Matthew Olex, managing director of Schroder Polska, recalls that Spain, which was economically on a par with Poland in the 1950s and has a similar population, managed to finance much of its recent economic development byattracting $160bn in foreign capital between 1984-93. This played a key role in Spain's still incomplete adjustment to EU entry and helped boost Spanish GDP to $545bn, compared with the $82bn GDP figure for Poland in 1994.

Poland has attracted relatively little foreign capital, despite the attractions of a market of 38.5m people

For Poland to emulate the Spanish example it will have to take full advantage of all sources of capital – direct equity investment, portfolio investment and that available from the international financial institutions, it argues.

According to Paiz, the government agency set up to provide a "one-stop" facility to help would-be investors around the bureaucratic and legal maze, Poland has attracted a much higher figure of more than $4bn in investment plus investment commitments over the past four years.

Despite the frustratingly slow progress of privatisation the pace of foreign investment has speeded up recently, it adds.

Grzegorz Kolodko, the finance minister, estimates that $1.3bn of foreign direct investment (fdi) flowed into Poland last year, bringing the total over the past five years to around $4.6bn. "By 1997 we expect the total to exceed $10bn," he adds. Mr Kolodko, who has been re-confirmed as finance minister in the new government led by Jozef Oleksy, says simply: "I want to see more foreign direct investment to improve the competitive edge of Polish enterprises".

A recent decision to suspend the controversial 0.2 per cent sales tax levied on share sales on the Warsaw Stock Exchange was partly intended to attract US investors fleeing from the Mexican debacle into Polish shares, he added.

A serious impediment to Polish foreign borrowing was removed last year when the London Club of commercial bank creditors wrapped up the final details of a debt relief and re-scheduling package. The agreement cut the country's $33bn commercial debt virtually in half and opened up Poland, the most populous of the former Soviet bloc countries, to a resumption of normal banking ties. The London Club agreement followed a 50 per cent reduction in debt to the Paris Club of official creditors three years ago.

Thanks to both agreements Poland started 1995 with the decks cleared for future borrowing and an outstanding foreign debt reduced to around $40bn. This translates as roughly $1,000 per head of the 38.5m population, less than half the per capita debt burden borne, for example, by Hungary.

Meanwhile, direct investment by such foreign companies as ABB and Fiat has helped to raise technical and productivity levels and re-integrate important sectors such as electrical engineering and motor vehicles into competitive world markets.

Fiat sources its entire European sales of the Cinquecento model from its Polish plant and has brought with it a slew of collateral investments by Italian companies such as the steel-maker Lucchini and several car component companies.

ABB's strategic investment in a string of Polish power generation and electrical engineering plants reflects expectations of big orders for power generation, anti-pollution and related projects throughout the former communist world.

ABB's low-cost Polish plants are being re-equipped in the expectation of Polish and export orders over the next decades. It is also using Poland as a springboard for expansion further east in Russia and Ukraine.

BANKS: crucial decisions lie ahead, says **Christopher Bobinski**

Challenge from abroad mounts

Poland's free market reforms have put banks back at the centre of the economic stage and much has been done to modernise the sector in the past five years. But more needs to be done if local banks are to challenge the competition from foreign financial institutions. They now face crucial decisions which could determine their future.

Banking reform began in 1989 when nine large, state-owned banks were hived off from the central bank. An initially lax licensing regime saw the parallel emergence of a plethora of mainly small and under-capitalised private banks. Several have already withered under the weight of bad loans, a shortage of banking skills and fraud.

The National Bank of Poland's (NBP) regulators grappled with the problem and forced the private sector banks to build capital adequacy ratios while pressing ahead with bankprivatisation. Majority holdings in four former state banks are now in private hands and the sale of two other state banks, Bank Gdanski and the Warsaw-based Powszechny Bank Kredytowy, is planned for the end of this year and the first half of next.

The main challenge comes from foreign banks which will enjoy full operational freedom after 1997, according to the terms of Poland's association agreement with the European Union. Until recently the foreign-owned sector was limited to the nine banks, including Citibank and Creditanstalt, which received banking licences before 1991.

Last autumn, however, following Poland's London Club debt reduction agreement with western commercial banks, new licences were issued. The first went to Dresdner Bank working with Banque Nationale de Paris (BNP). The second was given to ABN AMRO, which agreed to purchase an ailing local private bank. A third went to Westdeutsche Landesbank, which had invested in Bank Morski, another private sector casualty. This meant that the Westdeutsche Landesbank was the first fully German-owned bank to receive a banking licence and accordingly opened a Polish subsidiary company. Commerzbank, meanwhile, decided to take a 21 per cent share in the Export Development Bank (BRE) leaving Deutsche Bank as the last of Germany's largest banks still searching for a suitable takeover candidate.

All potential foreign entrants must first prove to the NBP that they are willing to help bolster the local banking system. This is the condition set by the central bank for issuing new licences to local and foreign investors.

However, if the Europe Union agreement is to be observed these barriers will disappear. "Soon Poland will see branches of foreign banks able to make large loans based on their worldwide capital," says a foreign banker based in Warsaw. They will out-gun local banks which have a woefully small capital base and which have to arrange consortia for even medium-size loans, he adds.

The combined capital of all the 73 banks, not counting the co-operative sector, is little more than $3.5bn. Several medium-sized German banks are bigger than Poland's largest banks put together.

The government's response has been to urge the state-owned banks to merge and consolidate. Krzysztof Kalicki, the deputy finance minister responsible for the system, wants bank managements to take initiatives. But he has also commissioned studies by Rothschilds, the UK-based merchant bank, as well as US experts and Arthur Andersen, the accountancy and consultancy firm, to help draw up a framework for the process. Meanwhile, he argues, banks must start co-ordinating procedures and share computerisation costs.

Some progress has been made and preliminary agreements signed. But senior managements have proved resistant, preferring to continue to rule the banks they have come to think of as their own in the past five years.

Western corporate consultants, such as Christine Bindert, argue that consolidation may not be the answer. "We should be asking about the strategies that bank managements have for the next five years and their will and capacity to implement them," she says. While consolidation is important the mergers could compound the weaknesses, rather than combine the strengths of banks, she warns.

The main challenge comes from foreign banks which will enjoy full operational freedom after 1997

Some idea of the scale of the challenge comes from last year's results. Citibank, which employs 250 people, notched up a net profit of 67.1m zlotys last year on a balance sheet worth 991m zlotys. The bank, which opened in 1991, has concentrated on foreign investors and blue chip local companies and mainly provides short-term loans.

By contrast, Wielkopolski Bank Kredytowy (WBK) with nearly 4,000 employees, declared a net profit last year of only 62.5m zlotys on a balance sheet of around 3bn zlotys, more than three times as large as Citibank's.

WBK will be a test case for Polish bank modernisation as it now has two large foreign shareholders. Allied Irish Banks group has just taken a 16.3 per cent stake alongside the European Bank for Reconstruction and Development (EBRD) which took a 28 per cent stake nearly two years ago.

However, unwieldy as the local banks may be, they have nevertheless attracted many intelligent and ambitious young people at lower and middle levels who have been intensively trained over the past five years. This is good for the future of the banks but could lead to future tensions with existing senior management because most banks are still run by people appointed in 1989 during the twilight months of the last communist government.

Until now the foreign banking sector has provided jobs for the best of the young bankers. But real changes in Polish bank management are coming, starting with Bank Slaski where the Dutch ING bank, the saviour of the UK's Barings Bank, took a 26 per cent stake last year.

Richard Kaluzynski, of Russell Reynolds Associates, who has been recruiting top management for foreign and local banks in Poland says that "it may well be that foreign ownership will prove to be the catalyst that is needed to attract the brightest and the best".

For however much local banks build defences against foreign competition the shortage of capital at home means that substantial growth of the banking system can only be funded from abroad. At the same time, foreign banks are looking with interest at Poland's rapid economic growth and future EU membership. Allied Irish Banks, for example, has invested in WBK seeing as a useful outpost in the expanded European Community once Poland joins.

Stanley Szczurek, the head of ING's branch in Poland, says "if management at the large Polish banks can take on a more dynamic dimension they will start to grow and develop". In that case "the foreign banks will play a role as satellites in the system."

But if Poland's bank managers are not up to the task and foreign banks come to dominate the system Poland could find itself in a dangerous and anomalous situation. The state could then be tempted to try and defend local banks by keeping out foreign competition. But without such competition , he warns, the local banks would wither and so would Poland's opportunity to develop the money management skills needed to sustain economic development.

Caution the watchword

Poland's state-owned regional banks, which are still the basis of the commercial banking sector, remain reluctant to make new business loans even though the government's ambitious debt reduction scheme injected 3.6bn zloty in 15-year government bonds to improve their capital adequacy ratios.

Fear of taking on a new batch of risky credits, coupled with the risk-free opportunities provided by a treasury which needs to finance its budget deficit, means that banks' loan portfolios are shrinking relative to their balance sheets.

"All we currently need the banks for is to finance the budget deficit through purchases of treasury bills," says Jerzy Stopyra, a deputy head of the NBP, the central bank. Enterprises are financing most of their investment out of their own profits, he adds.

Another factor in relatively low lending levels is the lack of adequate laws covering collateral. "There won't be any significant lending in Poland, indeed no real expansion of the economy, until a workable collateral law is put on the statute books," explains one banker. The caution in extending credit is quite justified as "at the moment it is impossible to secure loans", he adds.

Under the debt reduction scheme, which covered loans before the end of 1991, around 400 companies have had their debts to banks reduced. Only in 28 cases has this taken place through debt-for-equity swaps, however, and a mere handful of enterprises have been privatised in this way.

The scheme covered bad loans worth 1.7bn zlotys held by the seven remaining state-owned commercial banks, the PKO BP savings bank and the specialist Food Economy Bank (BGZ). But bad debt problems continue at the BGZ, which is linked to Poland's backward farming sector, and the PKO BP, which is burdened by inherited housing loans.

This is reflected in PKO BP's continuing low capital adequacy ratio of 9.3 while the ratios of the seven commercial banks range from 13.2 at the recently privatised Bank Przemyslowo Handlowy (BPH) in Krakow, to 35.9 at the Bank Gdanski, which is the next to be privatised. Most other banks' ratios oscillate around the 20 mark as caution remains the watchword in Polish banking.

Christopher Bobinski

POLAND 5: BACKGROUND TO THE ECONOMY

AGRICULTURE: **Caroline Southey** and **Anthony Robinson** report

Living museum on the land

Applying communism to Poland is like putting a saddle on a cow, Stalin once said in a spirit of anger mixed with resignation. But the Soviet dictator's customary political realism left more than 80 per cent of Polish land in the hands of land-owning peasants throughout the communist years.

As a consequence, 50 years after the end of the second world war, large areas of rural Poland remain a sort of living museum. The countryside is full of the populous villages and busy fields which have been consigned to memory in most of western Europe by mechanisation and the protected, subsidised regime of the Common Agricultural Policy.

However, for those in Brussels and in Warsaw who are contemplating ways of integrating Poland into the European Union, the fact that 40 per cent of Poles still live, and vote, in rural areas while 17 per cent continue to depend exclusively on agriculture for their livelihood, raises problems of daunting complexity.

The embryonic debate in Brussels suggests that changes need to be made on both sides of the former east/west divide. But the biggest adjustments will have to be made by Polish and other central European farmers who have already suffered many painful changes since the fall of communism.

Agricultural production in central Europe as a whole fell by about 3 per cent in 1991 and 14 per cent in 1992. According to OECD figures livestock and meat production were the hardest hit, falling by 36 per cent in Bulgaria, 38 per cent in Hungary and 22 per cent in Poland between 1990 and 1993.

Compared to its neighbours, however, Poland has coped reasonably well and is considered a case apart. "If we compare our problems with some other countries in the region, Polish agriculture is not in such bad condition," says Jerzy Wieczorek, from the Polish mission to the European Community.

The main reason, he argues, is to be found in the 80 per cent of agriculture which remained in private hands. Only in western Poland, where large state farms were established on land confiscated from the Germans, were the farms run on "normal" socialist lines with large subsidies and privileged access to machinery, fertilisers and seeds. Elsewhere, "most farmers were accustomed to market conditions. After 1989 it was not so difficult to meet the requirements of the new situation," he says.

Even so, the change to a market economy has been painful for farmers, who lost their protected market, and for consumers who lost the cheap subsidised meat and other products (for which they paid indirectly through long hours spent in food lines).

Farm incomes have fallen by more than 50 per cent and increased competition from subsidised EU imports has been part of the problem. Under communism Poland ran a surplus on its agricultural trade with the EU. But a surplus of $557m in 1989 had shifted to a deficit of $333m by 1993. "We have been flooded by products from the EU. People have been curious and attracted by the new products," says Mr Wieczorek. But the trend can be reversed, he believes. "We produce a lot of raw materials but need to process them. If we develop this we will make products which can be exported to the EU."

In the meantime, production continues to fall as several years of serious drought and a chronic shortage of capital and credit have compounded the problems caused by higher costs and EU competition in a shrinking market. Overall, food demand has fallen by 20 per cent in response to the end of consumer subsidies and consequent higher food prices.

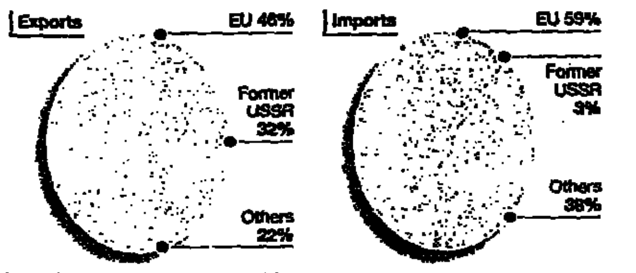
The pain can be seen in rising farm debt. At the end of 1993, debts of the farming system as a whole amounted to 1.93bn zlotys ($804m), of which 7.9bn zlotys was owed by private farmers.

Mr Wieczorek says: "We have made a lot of mistakes. We lacked knowledge about the new market situation and we lacked the institutions, areas that should be improved very considerably." But, in an echo of those who defend the CAP, he adds: "We have to look for a model which will expand production and keep people on the land." Poland, he adds, wants to make an "intellectual contribution" to the debate about enlargement and the changes that would be necessary to make it happen. "We are not interested in just appealing to the pocket of the EU, and we are not trying to hide our deficiencies."

The change to a market economy has been painful for Polish farmers

Picture: Piotr Malecki

Agricultural trade, 1994



Source: Polish Agricultural Policy Analysis Unit

Trade in food products ($m)

	1990	1991	1992	1993	1994
Total exports	1,903	2,469	2,002	1,646	2,073
Exports to EU	1,204	1,606	1,111	953	1,054
Total imports	666	2,082	1,952	2,256	2,375
Imports from EU	343	1,343	1,124	1,286	1,165
Balance of trade	1,237	387	50	–610	–302
Balance of trade with EU	861	265	–13	–333	–111

Source: Polish Agricultural Policy Analysis Unit

Profile: MAREK KAMINSKI

Portrait of an entrepreneur

Poland's post-communist economic vitality, like Italy's post-war "economic miracle", is based largely on the energy and initiative of millions of entrepreneurial Poles obsessed with building up their own family companies.

More than 2.3m small firms have sprung up, most of them one-man or family-based enterprises, since the first post-communist government put in place the macro-economic which set people free to forge their own economic destiny.

Many small companies have already fallen by the wayside, crippled by high interest rates, difficult access to capital and sheer inexperience.

But every month thousands more emerge to take their place, often formed by failed entrepreneurs, made wiser and more cautious but willing to try again rather than join more than 2.6m on the dole.

The real size of the unemployment problem needs to be taken with a pinch of salt. Many small entrepreneurs hide from the tax man and moonlight while continuing to draw unemployment pay. It is a phenomenon which makes it difficult to balance the state budget, but helps to explain how Poland, and other post-communist countries, have managed to sustain high rates of structural and transitional unemployment without large-scale social unrest.

Marek Kaminski, who at 30 has built up a fast-growing sanitaryware sales and production company with a $6m turnover last year and a target of $20m by 2000, is an example of the creative energies unleashed by the collapse of the communist state in 1989.

In the last years of the old regime he attracted the attention of the secret police by building a yacht in his spare time with the intention of sailing away from his Gdansk home and around the world. "In those days it was not considered usual to have such plans," he says with unintentional understatement. "The secret police tried to enrol me to spy on Polish sailors abroad, so I got fed up and left for Hamburg," he adds. There he worked as a gardener and in a yacht-building yard while studying physics and philosophy at Hamburg university.

In 1990, after the collapse of communism, he returned to Gdansk and, with initial capital of around DM1,000 ($714.20), decided to set up a private company called Gamma. The plan was to start by importing coffee machines and catering equipment. Later Mr Kaminski and his partner added sanitary equipment – basic items such as taps, lavatories and shower equipment. In 1992 they split the company with Mr Kaminski taking charge of Gamma San, the sanitaryware company, while his partner took over Gamma Gastro, the food equipment company.

The decision to go for catering equipment and sanitaryware were shrewd choices. Throughout post-communist Europe small cafes and restaurants have sprung up like mushrooms while home-owners and small businesses have shown a fierce desire to rip out the antiquated, smelly and unhygienic bathrooms which were part of the defining achievements of the socialist era, and replace them with clean tiles and shiny chrome fittings.

Privatisation, which began typically with the sale by auction of small shops, cafes and restaurants, unleashed the demand.

With virtually no capital of his own, and a Polish fascination with Italy, Mr Kaminski set out in an old Volkswagen minibus to try and find an Italian supplier.

"We had no money, Polish banks were reluctant to lend to unknown people with no track record and charged huge interest rates so we had to find companies which would trust us enough to grant trade credit," Mr Kaminski recalls.

The first deal was naturally the hardest to arrange. But again it was a shrewd decision to approach small Italian family companies where decisions are often made by owner-managers on the strength of *fiducia* (confidence), shrewd judgment of the personal qualities and reliability of potential clients.

The man who first decided that Mr Kaminski was a safe bet was Agostino Pati, owner of the Itap company.

Marek Kaminski: avoided pitfalls which have ensnared other businessmen

The small specialised company is based in the small town of Lumezzane, close to Brescia, the north Italian city 60km from Milan which is a byword for risk-taking private entrepreneurship *a l'Italiana*.

The Bresciano entrepreneur, looking for ways into the newly opened markets of central Europe, agreed to supply goods worth a modest DM10,000 on a 60-day supplier credit basis without collateral. The goods were loaded into the Volkswagen, driven back to Gdansk and sold.

As the original credit was repaid a new and larger credit was agreed and the business grew exponentially. Now Mr Kaminski deals with more than 50, mainly Italian, companies.

Gamma San's turnover rose nearly 400 per cent in 1992/1993, Mr Kaminski says. By the end of 1994 the company, wholly-owned by Mr Kaminski, who re-invests all profits, was employing 80 people and had already moved into manufacturing with a small factory at Koszalyn on the Baltic coast, managed by his father. The factory produces flexible sanitary tubes, valves and other equipment both for the domestic market and for export.

Last year Mr Kaminski bought a 10,000 square metre plot and is building a 4,000 sq m factory to expand production. It also assembles sanitary equipment for Italian, German and other companies using Gamma San as a cheap production base for the penetration of markets in the neighbouring Baltic states, Belarus and Ukraine where Gamma San is actively involved.

"My ambition is to make Gamma San a leading maker and marketer of sanitary fittings in Poland and to go international step by step," Mr Kaminski adds.

Thus far Mr Kaminski has avoided the pitfalls which have ensnared so many fledgling small businessmen. For this he is grateful to the British government's Know-How Fund which helps to fund a body called British Enterprise Service Overseas (Beso).

Through Beso, experienced, often retired, businessmen and specialists make their skills available as consultants to emerging small businesses in the region.

"Thanks to the Know-How Fund, which pays the fares of the volunteer advisers, I was able to obtain the services of specialists who advised me for two to three weeks on crucial skills such as accounting, logistics, general management, marketing and advertising," he says.

"They were all older, experienced men. Without them I would not have been able to build up my company," he said in London last month while competing for a young businessmen's award.

Anthony Robinson

POLAND 6: BACKGROUND TO THE ECONOMY

PRIVATISATION: **Christopher Bobinski** on a contentious political issue

The pace of sell-offs quickens

Privatisation has been a contentious issue in Poland over the past five years and is likely to remain one of the most divisive issues in the governing coalition for some time.

It was therefore a bold move by Jozef Oleksy, the new prime minister of the government led by the Social Democrats, to stress in his inaugural speech that his administration would speed up sales of state-owned companies and widen the scope of the Mass Privatisation Scheme (MPP).

When he followed up this commitment with a statement that Wieslaw Kaczmarek, privatisation minister in the previous government and veteran of many clashes with the Peasant Party (PSL) coalition partner, was to stay in his post, there was a murmur of angry dissent from the PSL benches.

Waldemar Pawlak, the outgoing premier and PSL leader, made a valedictory speech in which he warned against giving foreign capital a free hand in Poland. "Foreign investment," he said, "gives us the chance to develop more quickly and learn from those who are better and stronger than we are.

"But if the foreign presence is not controlled, or too large, then it could lead to our own companies being dominated or even closed down before they even begin to learn how to deal with competition." Poland, he warned, "could become a white semi-colony" if the state failed, for the moment at least, to retain control in crucial areas such as the power industry.

It was a message which explained his government's hesitation during the past 18 months in its approach to foreign participation in the privatisation process. However, it also signalled that the PSL was preparing to adopt a nationalist stance in future elections and would seek to play the "national interest" card even within the present government.

Given Mr Pawlak's reservations, last year's privatisation record was surprisingly good. In all, 36 companies were sold either to strategic investors or through public share offers. Revenues reached 868.1m zlotys ($362m), almost double the 448.8m zlotys raised in 1993. The costs of privatisation were also squeezed by 29 per cent to 26.8m zlotys, as greater reliance was placed on local and cheaper consultants.

Even so, it has been the spontaneous growth of the private sector through new start-up companies, green field investments and the purchase of assests from state-owned factories rather than formal privatisation which has pushed the private sector's share of GDP to more than 50 per cent. There are signs that last year's good performance was essentially the delayed result of efforts by previous governments and there is now a smaller head of steam behind privatisation.

In his valedictory speech, Waldemar Pawlak warned against giving foreign capital a free hand in Poland

There is little indication that utilities such as the state telephone company (TP SA) are being prepared for sale. Telecommunications is likely to remain in state hands under Mr Oleksy. Long-delayed plans for the sale of a minority 20 per cent stake in the petroleum sector are coming to fruition, but it now seems that the international oil companies, which are needed to provide capital for the modernisation of the biggest refineries at Plock and Gdansk, have lost interest. With spare refining capacity in the former East Germany and the Czech Republic, the big oil companies would prefer to confine their investments to the distribution network, a development the government is unlikely to permit.

Mr Kaczmarek's team at the ministry is preparing 80 plants for sale in other sectors and about 50 deals should be closed in 1995. The sales revenue figure written into the budget is 1,500m zlotys from trade sales and public offers. This will not be achieved if controlling shares in seven tobacco producers estimated to be worth a total of 800m zlotys are not sold this year.

But the farming lobby, led by PSL deputies such as Bogdan Pek, keeps sniping at potential investors like Philip Morris, which is bidding for the Krakow tobacco works where it has made Marlboro brand cigarettes under licence since the 1970s.

Other factories for sale include cement plants, chemical and pharmaceuticals factories as well as paper mills and cable producers. The ministry is also talking to Asea Brown Boveri (ABB) about purchasing the Pawafag railway engine works in Wroclaw.

New features on the government's transfer list this year are the Domy Towarowe Centrum, a network of 31 prime city centre department stores throughout the country with a combined retail space of 100,000 sq m. The still substantial state-owned wholesale network, P.H.S, is also up for sale. These two, taken together with Ruch, the newspaper and tobacco retailer which is also on offer, make up a considerable part of the consumer goods distribution system.

This year will also see some spectacular battles between multinational food companies such as Nestle and Philip Morris's Kraft Suchard. Both are whetting their appetites for Winiary, a soups and sauces producer near Kalisz. The company is the jewel in the food processing industry's crown with a substantial market share and a highly recognisable brand.

The brewing industry, which already has a mix of foreign-owned, local, state and private plants and where competition for custom is keen, will see leading state companies such as Tychy and Zabrze come up for sale. Here, too, foreign companies such as Heineken, which has a local foothold with a minority stake in the listed Zywiec brewery, are expected to try and extend their market share through acquisitions.

Other planned disposals include the sale of a minority stake in Polska Miedz, the country's profitable copper producer, as well as the successful Ozarow cement works which has been reserved for domestic investors.

The government is also planning to find strategic investors for several listed companies such the Debica tyre works and Agnella and Bytom, both garment producers. At the same time there are also plans to sell the treasury's remaining equity in plants which already have strategic investors such as the Gorazdze cement plant, now controlled by CBR, the Belgian-based, German-owned cement company, and the Lech brewery in Poznan, owned by Janusz Kulczyk, a local businessman.

The great leap forward is imminent

Poland's Mass Privatisation Scheme (MPP), the country's privatising great leap forward, looks set to be implemented this year.

The plan was originally announced in 1991 and is designed to combine the best features of coupon privatisation programmes elsewhere in former communist Europe. But in its Polish version the plan includes assurances that the companies involved will actually have the improved management and capital inputs which are generally associated with private sector corporate governance.

Under the plan which has emerged from a maze of muddle and political controversy, equity in 444 state sector companies is to be handed over to 15 closed-end investment funds which are to be run by local and foreign fund managers for a period of 10 years.

Towards the end of 1995 the shares in the funds themselves are to be distributed to the population at large, or at least to those who are willing to pay a nominal fee equal to a month's average wage.

The fund managers include Kleinwort Benson, BZW and Raiffeisen, the Austrian bank. Their initial costs are to be covered by a $50m loan from the European Bank for Reconstruction and Development and they are to be paid an annual fee for their efforts as well as a bonus at the end of the period. The bonus will be linked to the value of the fund at that time.

Potential fund managers, who were short-listed last autumn by a government commission, are still locked in tortuous negotiations with their government-appointed fund supervisory boards on the exact terms of the management contracts. Once final agreement has been reached state sector companies will be distributed and the process of enhancing their value, which is what the scheme is all about, can begin.

The plan has long been regarded by institutions such as the IMF and the World Bank as a test of Poland's privatisation intentions. Thus, they should be pleased to hear that Jozef Oleksy, the prime minister, plans to bring more state sector companies into the scheme.

Wieslaw Kaczmarek, who has been confirmed as privatisation minister in the new government, has said he would like to use the formula to establish similarly managed funds, capitalised with equity in state-owned companies, to finance old age pension and disability schemes as part of the country's social payments reforms.

STOCK MARKET: **Christopher Bobinski** reports

Share shops empty as investors sit tight

No longer are people queuing for shares in initial public offers as they did during the great Warsaw Stock Exchange (WSE) boom which peaked a year ago on March 8, 1994. Nor do they still crowd into the stock exchange, located in the old communist central committee building, to watch the trading results and work out the increase in their paper profits.

Many small investors who fuelled the market's 700 per cent rise, and took heavy losses on the way down, are sitting on their stocks in the hope of an upturn.

Others are selling out and putting their savings back in the banks or buying government bonds which carry tax relief as well as a steady income.

The stock brokers' "share shops", crowded a year ago, are empty. Only 6 per cent of Poles now say they are interested in buying shares compared with 19 per cent a year ago, according to CBOS, a polling unit.

Only 3 per cent now say they own shares. A year ago 4.1 per cent said they owned shares when the basic WIG index peaked at 20,760.3.

After a bleak year for investors the WIG index is gyrating around the 6,500 mark. Activity is limited to a relatively small group of speculators looking for short-term profits on marginal daily price changes.

With the small investor in retreat, share ownership is concentrating in the hands of the few. Recent flotations such as that of Budimex, the construction company, saw a mere 400,285 shares sold of the 4m shares offered to the public. Three local bank underwriters, the PKO BP, the Polish Development Bank (PBR) and the Bank Handlowy, were left to pick up the difference.

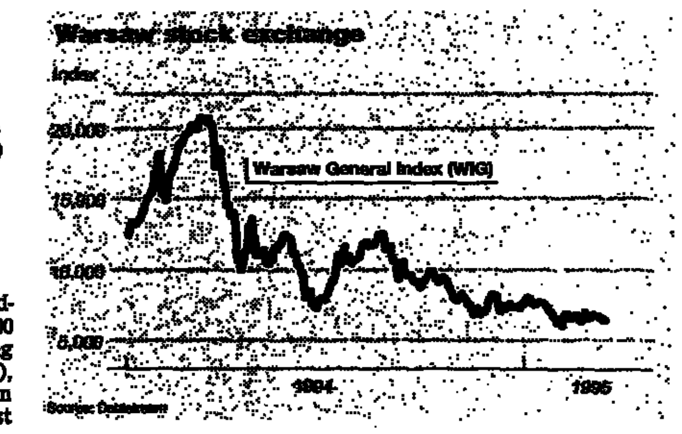
The PBR, which offered 2m shares in early March, thought it best not to trust the individual investor but arranged 100 per cent guarantees, including one from Citibank (Poland), which underwrote up to $10m worth of shares in its first foray into investment banking in Poland.

Companies floating new stocks are looking increasingly to underwriters to support their offers and it is the institutions, and not individual investors, who are beginning to set stock price levels.

At the same time the bulk of foreign investors, who played a role during the boom but usually sold before the collapse, are staying on the sidelines waiting for prices to drop still further.

Foreign brokers such as Nomura note that industrial stocks quoted on the exchange are still overpriced, with price earning ratios ranging from 10 to 20 and more. Quoted bank stocks, whose p/e average at around 5, are judged to be cheap but risky.

"There are no compelling undervalued companies," says a western analyst to explain the lack of foreign buying. At the same time, however, there was little selling of Polish stocks by foreigners in



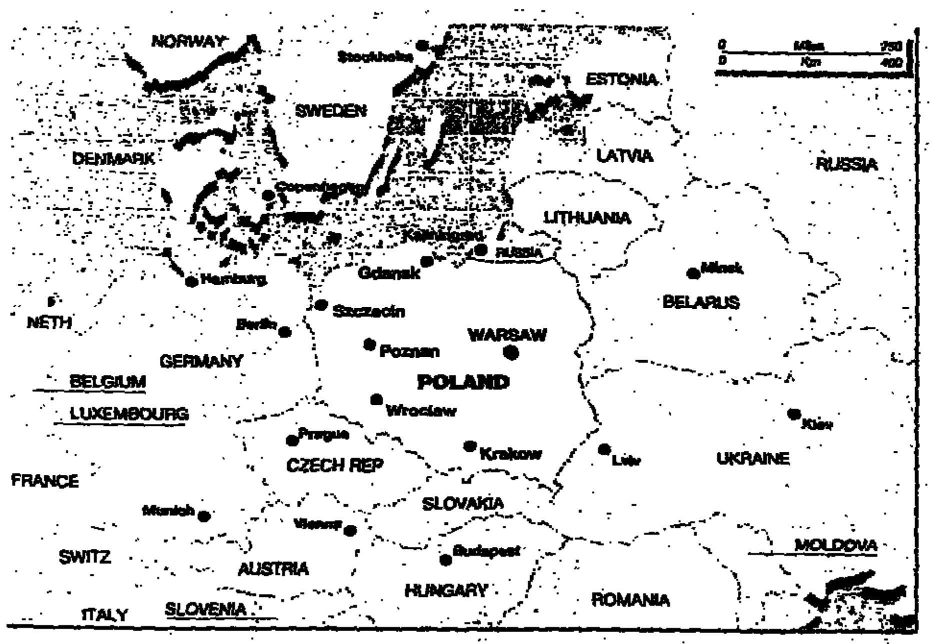
Continued on page 7

POLAND 7: BACKGROUND TO THE ECONOMY

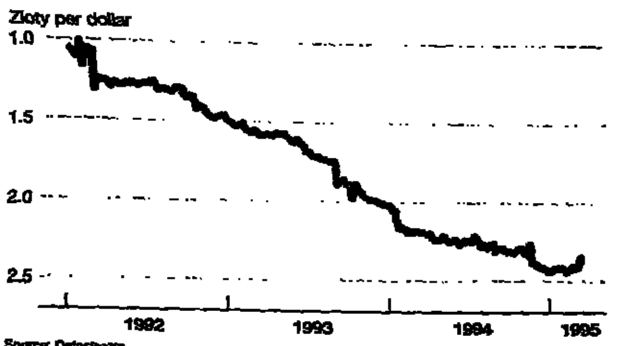
Area	312,683 sq km	
Population	38.6 million (Density 123 per sq mile)	
President	Lech Walesa	
Currency	Zloty	
Exchange rate (average)	1993: $1=Zl. 1.74 1994: $1=Zl. 2.27	
Capital	Warsaw	
Major natural resources	Coal, copper, forestry, agriculture	
	1993	1994
Real GDP growth (%) [1]	3.8	4.5[2]
Industrial production (%) [1]	6.2	11.9
CPI (%) [1]	35.4	32.2
PPI (%) [1]	25.2	29.7[3]
Unemployment rate (%) [4]	16.4	16.0
Average gross monthly wage ($) [4]	181.5	207.0
Money supply growth (%)	36.0	37.6
Total reserves ($bn)	4.3	6.4
Trade ($ billion)		
Exports	14.1	17.0
Imports	18.8	21.4
Balance	-4.70	-4.34

1 = Year-on-year % change 2 = Expected
3 = Nov. over previous Nov. 4 = Year end

Sources: GUS (Polish Central Statistical Office), EIU and Datastream



Zloty/Dollar exchange rate



Source: Datastream

THE NEW ZLOTY

Millionaires have been devalued

Everyone used to be a millionaire in Poland, until January 1 this year when the National Bank introduced a new "hard" zloty which knocked four zeros off everything. Overnight a 10,000 zloty note, worth just under 40 US cents, became the equivalent of a tiny one zloty coin, and a 2m zloty note, the largest in circulation, was turned into the equivalent of four new 50 zloty notes.

If that sounds complicated it is because, for the next two years, old and new zlotys will continue to circulate together and the blue 50 zloty note is the largest of the new notes to be issued so far. Later this year a new 100 zloty note, to replace the old 1m zloty note, and a 200 zloty note to replace the 2m note will be issued.

In the meantime, it is possible to proffer a new 50 zloty note to buy a newspaper, and receive nearly 500,000 zlotys, in old notes, as your change. Alternatively, you might find yourself being handed an assortment of shiny new "grosz" coins. Each tiny grosz coin is worth 100 old zlotys and denominations include one, two, five, 10, 20 and 50 grosze, supplemented by a one, two and five zloty coin.

The five zloty coin replaces the old 50,000 zloty note, and both are worth just over two dollars, at the mid-March rate of exchange of around 2.4 zlotys to the US dollar used for conversion in this survey.

Anthony Robinson

Zero hour: four noughts were knocked off old bank-notes this year

PROPERTY AND CONSTRUCTION: **Christopher Bobinski** reports

Bureaucracy curbs development

Frustration is high among Poland's foreign real estate developers as a "bureaucratic quagmire" continues to complicate land transfers. Bureaucracy, when added to "an extremely cautious and conservative approach" by financiers, according to Michael Roskelly of Gerald Eve in Warsaw, means that Polish cities are not changing fast enough.

Many developers focus on Warsaw because it is there that most of the foreign investors have located their headquarters. The principal retailers, who are beginning to take an interest in Poland's emerging consumer society, also want to centre their operations in the capital.

Demand for office space remains high, Mr Roskelly says, but building projects are relatively few. The Atrium Office Centre, with 80,000 square metres of office and parking space available, is due for completion soon. It was built by Skanska of Sweden. But even though Arthur Andersen and Reuters have signed up to take space in the property, the European Bank for Reconstruction and Development (EBRD), one of the backers, is insisting on an 80 per cent pre-let before going ahead with phase two of the scheme planned for the site next door. "The EBRD has set a pretty tough precedent on financing," Mr Roskelly says.

All this helps to explain why average rents for prime space in the city centre are in the region of $50 a sq m, approaching the level of rents in western capitals. Warsaw needs more economical out-of-town office buildings where monthly rents could come down to between $32 and $35 a sq m. But the scarcity of space at present, means that several existing developments charge as much as $45m a sq metre.

While office space is scarce the supply of hotel rooms of four-star quality and above seems sufficient for the time being. However, this has not stopped the Sheraton hotel chain from building a 300-room hotel on Three Crosses square, opposite the old communist planning commission building. The decision to go ahead can only be because of corporate policy to go into Warsaw, rather than because the state of the market warrants such a move.

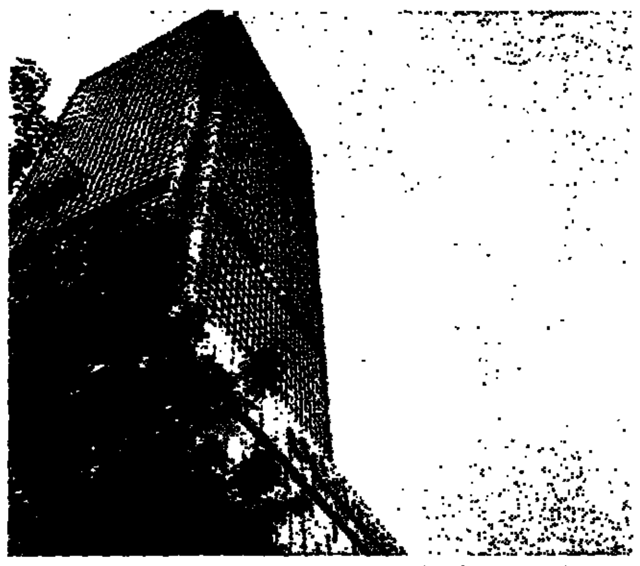
Retailers are showing increased interest in the city, but they, too, are running into some brick walls. Life is easier if they decide to locate in out-of-town sites such as Ursynow, a giant high-rise 100,000 dormitory complex in southern Warsaw. Here, Leclerc, the French retailer, have a site and Billa from Austria is expanding on its present two stores, one located in part of a bus depot.

The problems begin if large retailers want prime sites in which to start operations. Ms Janet Choynowski, of Prime Property, property consultants, says that the multitude of leases on city centre sites is keeping "big western names out of the high street".

The crux of the problem is that the four-fifths of Warsaw's retail space which is owned by the city authorities, is mostly occupied by local small retailers who negotiated long leases in 1990 when the private retail boom was at its height. Now, the successful retailers are profiting from the relatively low rents while those who did less well are sub-letting their sites at a handsome profit.

Both kinds of tenant, on hearing that a western company wants to rent their space, quote "incredibly high" prices, Ms Choynowski says. As a result, the city fails completely to benefit from the potential income it could have as Warsaw's largest retail landlord.

The deadlock appears to be complete and may only be broken when the Domy Towarowe Centrum, the state-owned department stores in the city centre, is privatised later this year. If it is sold to a western company, Warsaw might see its first Marks and Spencer store.



While office space is scarce, there are sufficient hotel rooms in Warsaw

Share shops are empty

Continued from page 6

the aftermath of the Mexican debacle, he added.

But the past 12 months have not been entirely bad. The market may have delivered capital losses and merely symbolic dividends to investors but the number of companies quoted on the exchange has grown from around 20 to the present 48 capitalised at around US$3bn. Despite the fact that eight of the quoted stocks are banks there is a greater measure of diversity, giving investors more choice than before.

More stocks are in the pipeline. A handful of new companies are due to come on to the exchange following recent public offers and the government could sell 10 state-owned companies through the exchange by the end of the year.

Perhaps most important, is that the Warsaw Stock Exchange has provided a mechanism through which listed companies have been able to raise capital relatively cheaply.

No fewer than 35 companies did so last year, raising a total of $600m, according to the WSE authorities.

The market, the transparency and regulation of which is judged to be the best in central Europe, not only provided equity capital for companies, but, thanks to strict requirements by the Securities Commission, it also generated a steady stream of information about the quoted companies directed at the general public.

This has had a significant educational effect which should not be underestimated in a country where five years ago people knew or cared little about the workings of a free market economy. It also disciplines company managements which have to publish monthly results and feel investors' watchful eyes following their every move.

Thanks to this kind of pressure many of the companies now on the exchange have changed a lot since they were first listed. Most showed profits last year and, often thanks to rights issue, have minimalised their lending to the point that some are now investing surplus funds in treasury bills rather than owing money to creditors. In Poland's fast-growing economy such companies are already emerging as the corporate elite.

POLAND 8: BACKGROUND TO POLITICS

THE YOUNG

Youth rises to the challenge

Population factors have played a crucial part in *bringing about political* change in Poland since the war. The present *leadership*, raised under communism, faces fresh challenges as a new generation which has been brought up in freedom comes of age in the final years of the century.

A glance at the demographic charts shows how the post-war baby-boom generation came of age in time to play a critical role in the political crises which led to the collapse of the government led by Wladyslaw Gomulka in 1970.

The post-war generation's urgent need for housing, jobs and consumer goods as they started families forced the new communist party leader, Edward Gierek, to seek foreign finance for his modernisation and expansion drive.

When this $20bn dash for growth came to grief, angry workers at the Gdansk shipyards led by a fiery, young electrician named Lech Walesa sparked off the 1980 revolt by the Solidarity generation, which was suppressed for a decade after the imposition of martial law.

The post-war baby boomers are now running the country. But their children, born in the turbulent late 1970s and repressed early 1980s, will soon be leaving school, going into the army or to university or looking, maybe fruitlessly, for jobs.

Poland alone will account for 40 per cent of the increase in Europe's labour resources over the next 15 years and Ms Maria Holzer, director of the Polish Children and Youth Foundation, says that around 2m new jobs must be created in the next five years if youth unemployment is to be contained.

This will be a difficult task even for an economy expected to grow by around 5 per cent a year. Only growth rates of Asian Tiger proportions could absorb such a press of young job seekers.

Ms Holzer says there is a real danger of widespread pathological behaviour, drug use and criminality if the job problem is not addressed.

For many, continuing growth in the shadow economy will probably provide the best outlet for their energies and source of income.

Already a third of Poland's 3m unemployed are between the ages of 17 and 24. Another 800,000 are between 24 and 35. In 1994, 262,000 of around 500,000 school leavers immediately registered for unemployment benefit.

Many have already entered the grey economy, treating their benefit as pocket money, and effectively subsidising low wages in the unofficial sector of the economy where millions of un- declared jobs have been created in recent years.

Along Poland's border areas thriving cross-border trade also provides many clandestine job opportunities.

During a recent visit to a secondary school in Chelm, a high unemployment area close to the Ukrainian border, cross-border trade offers an economic lifeline.

A school teacher says of his *students*: "Their *parents* are still looking after them and many hope to get into university or be called up before they start looking for a job. Things can't be that bad as many drive their own cars to school."

Ms Holzer agrees that for the moment young people remain hopeful about the future. "They are optimistic, they don't feel any threat and they believe that if they get on to a course they will have a future." Computer programming and driving courses are all over-subscribed with applicants.

But she also notes that the job openings which appeared in the first years of the market reforms in small retail businesses are beginning to dry up. "I'm afraid that they will be disappointed when they finish the course and find there is no work for them," she says. Furthermore, not all the courses *on offer* are seen by future employers as useful.

"*Teachers are* still very traditional and education budgets are being cut by 10 per cent a year leaving little room for innovation," *Ms Holzer adds.*

The main difficulties will come in two or three years' time when children, now in the first stages of the secondary schools, leave their classrooms. They are part of the first generation since the war to have been brought up in freedom, and it is difficult to predict what values they will choose to adopt.

Memories of the past under communist rule will no longer be the reference point they remain for their parents. In Chelm, an older pupil admits to his confusion. "I can't remember communist times, nor do I have much idea of real capitalism," he says referring to the hybrid, transitional phase through which Poland is passing from communism to a market-orientated democracy.

But this new wave of young people provides opportunities *for consumer* goods producers who traditionally target this age group. *Pepsi* Cola for example recently announced it would be *investing a further* $500m in Poland between now and 1997.

It has already put $300m into its local salty snacks business, its Wedel chocolate factory in Warsaw and its fast-food outlets and soft drinks plants.

But if the multinationals *such* as Pepsi, Nestle, Coca-Cola and Cadbury Schweppes are *beginning* to focus on this rising generation the politi*cians have yet to do so*. School children do not have the vote. But the school leavers of the next five years will make up a very sizeable constituency whose political attitudes are still unknown.

Much will depend on the way that they face up to *the* challenges and opportunities created by the emergence of a new democratic Poland which their parents fought for and won in 1989.

Christopher Bobinski

THE OLD

A powerful political lobby

Poland's 9m old age and disabled pensioners make up what is almost certainly the country's most powerful political and economic lobby, although individual pensioners, struggling with high prices and an unfa*miliar* market *economy, would* hardly recognise themselves in *this way.*

But the truth is that the *combined voting power of a* group comprising nearly one *quarter of the total* Polish population has ensured that pensioners have kept pace with inflation better than industrial *workers since the collapse of* the communist state in 1989. *What* is more, *fear* of alienating pensioners' votes has blocked all attempts at needed reforms of the welfare payments system.

As a result "transfers to households" have risen from 17.4 per cent of total government expenditure in 1991 to 21.3 per cent in 1994. They are projected to rise to 22.4 per cent in 1995. The inexorable rise in the largest single item of government expenditure risks curtailing investment in health, education and other government services.

Politicians from all parties know this. But they also know *that out of a voting population* of 27m around 4m are old-age *pensioners*, 2.5m *receive disa*bility pensions and 2m are *farm pensioners*. If they win the pensioners' vote politi*cians are assured of power*. If they lose the pensioners allegiance *they* face the political wilderness.

Nobody knows this better than President Lech Walesa, who opened his presidential election campaign late last year with a pledge to pensioners that he would not permit the government to change the way their pensions are calculated.

The president's promise to act as the pensioners' champion was immediately picked up by Leszek Miller, the politically canny labour and social security minister from the former communist SLD which will also be running a candi*date in the elections.*

Mr Miller pledged that *planned pension reforms* would not be introduced in *1995, and obtained the* endorsement of the cabinet *against strong opposition from* the finance ministry.

Fear of alienating pensioners' votes has blocked reforms of the welfare payments system

This reform This deeply dismayed Grzegorz Kolodko, the finance minister, and the IMF and the World Bank. They all argue that the present pensions system will soon become financially insupportable and could break the budget. What is needed, they argue, is for pensions and disability payments to be indexed to the consumer price index rather than to wages.

, originally planned for 1995 *can now only be introduced in* 1997 at the earliest. Any *attempt to introduce it earlier* would be disastrous politically *as the 1996 budget debate this* autumn will take place in the *midst of the* highly-charged presidential election campaign.

The World Bank says that Poland's total *spending* on benefits to pensioners increased from 9.4 per cent of GDP in 1988 to 21 per cent last year. This is higher than in Spain or Italy or even Germany, partly because of the inherited generosity of the former communist system and partly because early retirement was offered to help mask the growth in unemployment after market reforms began in 1990.

The large number of disability pensioners often reflects the hardships of the second world war, poor *safety* provisions in factories, and decades *of bad food and poor housing*. But such pensions were also *often granted* as a *sweetener* to compensate for the loss of a job.

As a result between 1989 and 1992 the average retirement age dropped from 59 to *56.9 years while the age of the* average disability pensioner dropped from 49 to 45.9 years. The overall number of pensioners grew by 30 per cent between 1988 and 1994.

The system is still based on a state organisation, the Zaklad Ubezpieczen Spolecznych (ZUS), which collects a levy from employers equal to 45 per cent of each employee's wage. It pays this out in pensions and sickness benefits. The shortfall is filled by contributions from the budget which, according to Lech Milewicz, the head of ZUS, reached 5.8bn zlotys last year.

This was partly *offset* by income tax of 4.4bn zlotys on *pension income* of 36.3bn zlotys.

Farmers, meanwhile, contribute a mere 6 per cent of *the payments* made each year to the farming sector. The *treasury contributes* the rest, budgeted at 6.3bn zlotys for 1995.

The World Bank advises the *government* to discontinue the pensions link with wage levels *and* to raise the average retirement age. Once that is done Poland should be able to build a public pension scheme which links contributions to benefits *and* allows private schemes which would help capital markets to develop. It is a sensible scheme. But the World Bank does not depend on pensioners' votes.

Christopher Bobinski

RUSSIA

Complicated relations

Former foreign minister Andrzej Olechowski caused a stir three months ago when he accused the coalition government, then led by Waldemar Pawlak, of not doing enough to push for Poland's entry into the European Union and Nato at the earliest possible opportunity. Since then senior government figures, including the new prime minister, Jozef Oleksy, and Alexander Kwasniewski, the *éminence grise* of Polish politics, have not lost an occasion to underline their commitment to both.

But Russia's bloody assault on Grozny, and above all the tendency of western governments to view Russia's military attack on Chechnya as an "internal affair", has underlined the misgivings of Poles and other central Europeans. The combination of western weakness and Russian brutality struck a painful chord in all the countries so recently liberated from Red Army occupation and decades of Soviet hegemony.

Warsaw, in particular, was looking for a strong western protest against Russia's violation of its commitments to the Organisation of Co-operation and Security in Europe (OCSE) and the Conventional Forces in Europe (CFE) treaty.

"Poland has a specially complicated relationship with Russia, full of complexes and neuroses on both sides," says Mr Olechowski. They exist despite the great strides which Russians have made in recent years to clear the air by admitting past crimes, such as the wholesale murder of Polish officers in Katyn forest during the war.

Honesty about the past has helped to clear the decks for the younger generation. But television news has kept the Chechen conflict as the lead item for months and ordinary citizens have shown their solidarity by sending money and food convoys to the Chechens.

The government, anxious to normalise relations with Russia and concentrate on mundane but practical ways of increasing trade and investment, would have preferred to keep a lower profile. Millions of Russian citizens now cross into Poland to trade and 150 Polish and Russian delegations of various sorts visited each other's countries. Trade increased by more than 30 per cent last year, but Poland is no longer economically dependent on Russia as the bulk of trade has shifted westward.

Despite Chechnya, Victor Chernomyrdin, the Russian prime minister, was able to sign several trade and investment agreements during his delayed visit to Warsaw in February. The most important covered the financing of the Polish section of the 6,000km gas pipeline from the Yamal peninsula to Germany. Poland will eventually take 14bn cubic metres a year of Russian gas, but it now gets much of its oil from the North Sea and is no longer over-dependent on Russian supplies.

The main sticking point in the Polish-Russian relationship is Polish membership of Nato. The Poles argue that the integration process is not aimed at Russia and that countries will be accepted as members of both the EU and Nato as they fulfil the entry requirements. The borders of a future united Europe are not yet defined but the Czech Republic and Poland will clearly be ahead of Russia in the queue, they argue.

Intellectually, the Russians see the logic of the Polish argument. In discussion, however, Russian officials make clear that they still think in balance of power terms and fear that if Poland "goes over to the other side" then the balance of power in Europe will shift against Moscow. The Russians admit they have great difficulty ridding themselves of the thought processes and habits of an imperial past and ask for time to adjust their thinking.

But recent events in Chechnya have diminished even further the willingness of Poles and other central Europeans to wait. Delay would only give Russia more time to regain its strength. Better seize the opportunity to integrate fully into European economic and defence structures now that Russia is relatively weak than wait until a strong Russia has the power to prevent it, they argue.

Anthony Robinson

EUROPEAN UNION

Judge us by our health, not wealth

"*For many* British people the European Union is seen as a threat to sovereignty. For Poles, by contrast, the desire for quick entry is *seen as an expression* of our newfound sovereignty, of our newly-gained freedom of choice," says Jacek Saryusz-Wolski, Poland's plenipotentiary EU negotiator. "We want to join for the same reason that the original six members set up the iron and steel community, to prevent another war," he adds.

Membership of the EU is important economically. "But *we see our future* economic prosperity in a wider geo-political context. *Only stability* and prosperity produce the sort of democratic society which assures security in the wider sense. That's why we want economic integration," he adds.

He has no illusions *about the* difficulties involved in facing up to EU competition. But he insists "our preference is for early entry followed by a lengthy transition - on the Iberian pattern. Spain joined in 1986 and was given a 10-year transition period to catch up."

In words which he has clearly used in many a debate with Brussels, he says "we would like to judged on our health not our wealth". In terms of the convergence criteria agreed at the Maastricht summit Poland already performs better in critical areas than several existing members, including Ireland, Italy, Belgium and Greece, which all have far higher levels of indebtedness. "Inflation is the main area where we are out of line with the criteria," he adds.

Warsaw hopes to begin negotiations in 1997 shortly after the next inter-governmental conference and hopes to join *the club by 2000*. "But as yet we have been offered no dates and the Essen route *map has* no clear road signs, no indication of when and where the bus stops and no traffic code," he complains.

"What we want is clear conditionality, say two years for the steel industry and 10 years to get agriculture into shape, and clear benchmarks to judge our progress. We really must *enter the EU within the* lifetime of the generation which *got rid of communism and has* made the changes to democracy," he adds.

"Poles have already wasted a decade. We achieved maturity in 1980, but because of the external constraint imposed by the Soviet Union we got martial law instead. We feel that western elites are *too* inward-looking. For us it is more important to re-unite Europe than to perfect the technical *details. We reject 'the deepen* or enlarge' dichotomy. We believe there must be *synergy* between the two so that a bigger united Europe is better able to compete globally with the Asian Tigers and Nafta," he adds. On the trade front, Germany replaced the Soviet Union as Poland's top trade partner in 1990, as soon as the internally convertible *zloty* made it possible for Poles to *trade freely across the border*. Germany alone imported more from Poland last year than Poles exported to the EU as a whole in 1989.

The European Commission takes the doubling of Polish trade with the community over the last five years as proof of good intentions. The Poles, happy that 63 per cent of their exports now go to the EU, from which they take 57 per cent of total imports, still see the trade glass as only half-full.

"The association agreement and the Copenhagen declara*tion on freer trade helped. But* Polish exports are still well under 1 *per cent of total EU* imports. It would have made a *big difference, especially at the* start of our economic transformation, had the EU not restricted trade in steel, textiles and *foodstuffs* where our competitive advantages were greatest. In 1990 we still had a big trade surplus in agricultural products. Last year we had a deficit of $330m. They can do better than that," Poland's toughest negotiator in Brussels concludes.

Anthony Robinson

Eager supporter of the EU

Poles are among the most enthusiastic supporters in the former communist countries of *closer ties to the* European Union, according to Eurobarometer, an annual EU survey in the area.

Last year the Polish approval rate rose to 42 per cent, second *only to* Romania where 51 per cent of the popu*lation views the Union kindly*. The latest rating marked a *recovery from the* low *37 per* cent approval figure in 1993 when anti- dumping rows with Brussels over soft fruit, meat and cement clouded *the* image of a harmonious future.

Of the six countries which have an association agreement with Brussels only the Czech Republic exceeded Poland in enthusiasm for the EU. While 40 per cent of Czechs said their their future lay with the EU, only 37 per cent of Poles saw their future as a member of the Brussels club.

However, the picture is not entirely rosy. Poles, Slovaks and Slovenes were most inclined to say that the present EU countries benefited more from closer ties than *aspirant* members. This reflected in Poland's case a *persistent, if diminishing*, trade imbalance with the EU. *Bulgarians, Hungarians and* Romanians thought the *mutual advantages* were more balanced.

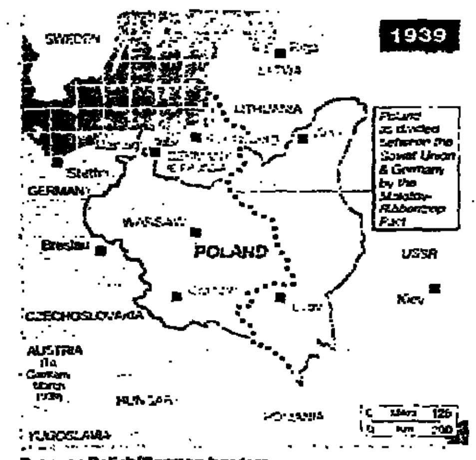
The *survey*, which is *now* into its fifth year, also shows that while Poles *were* among the most discontentedabout their standard of living last year and lacked optimism about any improvement in 1995, they are also more impatient than most to see further progress in introducing free market reforms.

No less than 45 per cent of Poles questioned in the Eurobarometer survey said that market reforms were coming too slowly while only 41 per cent of Hungarians and 26 per cent of Czechs called for more haste. In an encouraging message for Vacla Klaus, the Czech leader who faces elections next year, a majority of *Czechs though the pace of* reform was "just right".

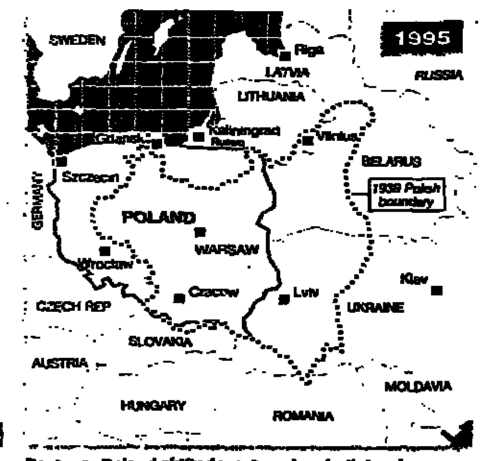
Eurobarometer shows that Poles believe that EU membership will benefit private businessmen. Relatively few see *much benefit accruing to farm*ers and 49 per cent in this still *largely rural country* think it will harm farmers' interests. *Few think that EU member*ship will favour manual workers or lower incomes groups either.

** Central and Eastern Eurobarometer (CEEB) External Information Unit, European Commission, B-1049 Brussels. Tel: 32 2 299 9171 Fax: 32 2 299 9258*

Christopher Bobinski



Pre-war Polish/German borders



Post-war Poland shifted westward on both borders

WESTERN POLAND

Area of dynamic growth

The borders of post-war Poland and Germany were drawn up by Stalin and endorsed by the victorious allies at the Yalta and Pots*dam conferences. Forty five* years later re-unification has *again made Germany* the most populous and economically powerful state in Europe. But newly united Germany is smaller and less populous than the pre-war German Reich which included Pomerania and Prussia and extended right across the southern shore of the Baltic.

Before the war German lands were interrupted only by the narrow Danzig corridor, created specifically to give otherwise landlocked Poland access to the sea. Berlin's authority extended 150km beyond Konigsberg, now the Russian enclave of Kaliningrad. The port of Stettin and the mines and industries of lower Silesia with its beautiful capital city of Breslau were also German cities.

One of the highest priorities of the first post-communist government led by Tadeusz Mazowiecki was to secure through agreement with Chancellor Helmut Kohl a Polish-German treaty under which the German government solemnly confirmed the legitimacy and permanence of the post-war borders. Agreement was reached and signed.

The Polish-German border therefore continues to follow the line of the Oder and Neisse rivers: most of former Pomerania, Prussia and lower Silesia remain Polish. Former German *cities such as Stettin* and Breslau, as well as cities such as Danzig and Posnan which were under German rule until *the end of the first world war*, are populated, owned and governed by Poles. They are known by their Polish names *of Szczecin, Wroclaw, Gdansk* and Poznan.

Ironically most of the Polish inhabitants of the once forcibly abandoned cities, villages and farms were themselves forced immigrants from the eastern provinces of inter-war Poland and cities such as Wilna and Lvov.

For Stalin not only shifted the western borders of Poland. While millions of Germans were uprooted from their homes in eastern Germany, similar numbers of Poles and Ukrainians were forced to leave their old homes in the eastern provinces of Poland. The whole country was shifted 200km to the west. The former Polish city of Wilna is now Vilnius, the capital of Lithuania, and Lvov has become Lviv, the regional capital of western Ukraine.

Economically, the defeat of Hitler and Stalin's desire for a wide *cordon sanitaire* between Soviet Russia and the west, gave Poland a Baltic coastline with important port cities, broad acres of good farmland and rich deposits of copper, silver, salt, coal and other resources in compensation for the largely rural areas of former eastern Poland.

The post-war Polish population mix is also very different from pre-war Poland. As a result *of forced movements of* population and the Nazi extermination of Poland's large pre-war Jewish community the country has become more compact, more homogeneous, and more Slav.

This painful recent history left modern Poland with a much more pronounced western orientation than before the war.

Wroclaw is closer to Berlin or Prague than it is to Warsaw. Thanks to Bismarck's canals and railways and Hitler's autobahns the port of Szczecin is much more conveniently placed to serve Berlin than either Hamburg or the former East German port of Rostock. With Sweden and Finland now EU members, and the Baltic basin opened up for trade and commerce, western Poland with its ports and communications is further developing its strategic potential as a north-south as well as east-west axis.

The strategic advantages which are already attracting a growing number of foreign investors can only increase with time. Separate articles chronicle the activities of some of Poland's most dynamic exporting companies active in the region and the foreign investments which are starting to come to the area.

Anthony Robinson, accompanied by interpreter Jacek Dobrowolski, toured western Poland earlier this month. His reports appear on this and the following two pages

THE PRESIDENTIAL ELECTIONS

Walesa ready to play the populist card

A strong sense of *deja vu* permeates Mr Lech Walesa's second bid for the presidency. He is again angling for the votes of anti-communist Poles, even though his own role in undermining the first Solidarity government is arguably the greatest single factor in paving the way for the return of communist-era politicans to power in the elections of September 1993.

As in the 1990 campaign he is playing the populist card, and making life hard for economic reformers in the government, by posing as the champion of lower taxes and higher pensions at the same time.

Earlier this year he stalled government business for three months by refusing to sign the budget into law until mid-March. He encouraged taxpayers to refuse to pay the higher income tax bands imposed to help keep the budget deficit within IMF-imposed limits, and then promised the 9m-strong army of pensioners that he would fight to prevent the government reducing their incomes by indexing pensions to prices not wages.

Mr Walesa's strongest electoral card is the presumed reluctance of many Poles to vote for a left-wing candidate for the powerful presidency when the government is already in the hands of former communists.

The left has several potential presidential candidates, of whom the most impressive is probably Alexander Kwasniewski who is relatively young, very smart and ambitious.

But the non-communist right, bitterly divided as ever, has failed thus far to come up with an alternative candidate to Mr Walesa and with a better chance of winning the election.

The Freedom Union (UW), heir to the defunct Solidarity party, is now an amalgam of Solidarity and the free market Congress of Liberal Democrats (KLD). The latter failed to jump the 5 per cent of votes entry barrier into parliament at the September 1993 elections. But the UW's most likely candidate, Jacek Kuron, is a fiery former labour activist from the workerist left of the Solidarity movement who is anathema to many of the middle class professionals and businessmen from the former KLD. Feeling among businessmen is mixed, however. Some see Mr Kuron as a man with great communication skills who could help pursuade workers to keep pay rises modest until the economy is in a stronger state.

The man who comes closest to the average Pole's identikit of the ideal presidential candidate is probably Andrzej Olechowski, the tall, silver-haired, moustachioed former banker, finance minister and foreign minister.

He not only looks the part but has a solid reputation as a man with an international reputation who understands about the economy not just about politics.

But Mr Olechowski, who advises Mr Walesa on economic matters and who agreed to head a pro-Walesa political grouping, the BBWR, at the last election, has made it known that he will not stand for election against Mr Walesa and will only be a candidate should he decide to step down.

A long way behind the front-runners at present, however, is another interesting presidential hopeful, Janusz Onyskewicz. Mr Onyskewicz speaks fluent English, is married to a granddaughter of Marshal Jozef Pilsudski, the inter-war dictator, and has impeccable anti-communist credentials as Solidarity press spokesman in the 1980s. He has been an MP since 1989 and was a strong pro-Nato deputy minister of defence in the Solidarity government headed by Ms Hanna Suchocka.

Courteous and intelligent, with no known skeletons in the cupboard and few enemies, his opportunity is only likely to come, as he frankly admits, if the more charismatic candidates stumble and the non-communists look around for a calmer, if less exciting figure, to personify the decent, democratic side of post-communist Poland.

Anthony Robinson

POLAND 10: WESTERN REGION

Profile: POLAR

Appliance maker sees off rivals

Under the old regime Poles could have any kind of refrigerator or washing machine they wanted – provided it was a Polar. For the state-owned white goods manufacturer was the monopoly producer of domestic appliances. More sophisticated western imports were available only to a privileged minority.

Now Poland is wide open to foreign imports but the Wroclaw-based domestic appliance company has managed to survive and even prosper while rejecting foreign suitors and government efforts to privatise it.

Polar's recent history provides a useful illustration of the often surprising twists and turns in the complex privatisation debate in a country now ruled by free-market converts with their political roots in the communist past.

The rules of Poland's economic game were dramatically changed after 1990 when real incomes collapsed, the zloty was made internally convertible into foreign currencies and the borders were thrown open to western competition. In the wake of the "shock therapy" reforms introduced by finance minister Leszek Balcerowicz in January 1990, demand and output ofconsumer durables of all kinds collapsed.

Polar's new washing machine has seen off foreign competition

In Polar's case output by 1991 had slumped to 50 per cent below the 650,000 refrigerators, washing machines and other appliances produced and sold in 1989.

"For us 1991 was the nadir of our fortunes," says Waldemar Wojcicki, the 39-year-old managing director.

Instead of the comfortable old central trading system under which 10 large state trading companies each took their share of Polar's entire production the company suddenly found itself with plummeting demand and having to deal with 1,600 small, self-appointed private distributors working out of garages and back garden sheds.

Over the past three years the distributors have been whittled down to around 70 tried and proven distributors accounting for 93 per cent of sales. The remaining 7 per cent is accounted for by the company's own sales/service network. "We now have the strongest and most reliable distribution and service network in Poland," says Mr Wojcicki, pointing to how a weakness has been turned into one of the company's main defences against foreign competition.

Consolidation of Polar's hold on the domestic market was made more urgent by a series of hard blows in export markets. The re-unification of Germany, for example, was followed by the virtual disappearance of the former East German market as Bosch-Siemens and other western manufacturers moved in.

Frozen assets: 500,000 refrigerators were sold last year Picture: Piotr Malecki

At the same time the opening of Poland's western borders to foreign imports suddenly revealed the obsolescence of a model range unchanged for 15 years. "Production slumped, cash flow dried up, and we found ourselves being wooed by all four of our major international competitors. Electrolux, Whirlpool, Bosch-Siemens and Merloni all approached us to buy a strategic stake or simply take us over," Mr Wojcicki recalls.

The management team feared that the foreign suitors did not want to acquire and develop the company but merely gain access to the 38.5m-strong Polish market. Meanwhile, from Warsaw the company was being pressed by the Polish government to prepare a plan for privatisation.

Management feared that privatisation would either have opened up the state-owned company to purchase by a foreign strategic investor or to its inclusion in the mass privatisation programme. In the latter case the company would have been "owned" by thousands of small voucher-wielding shareholders whose ownership rights would effectively have been vested in a foreign-managed investment fund.

Both a foreign takeover and inclusion in mass privatisation were rejected by the young, nationalistic management team led by Mr Wojcicki which took over in 1992. They opted instead to pursue their own autonomous reconstruction programme which was heavily dependent on financial support from the state-owned regional bank, the Wroclaw-based Bank Zachodny (western bank).

"The recovery programme started in 1992. We re-organised production and management and designed a new model washing machine, the Grazia. We were able to import the latest Italian and other foreign production machinery thanks to a $10m loan from Bank Zachodny," Mr Wojcicki said. The company also invested heavily in equipment to build environmentally-friendly refrigerators.

The new model washing machine was a big success, especially in the Polish market where real incomes have started to recover. "Last year refrigerator sales rose 6 per cent to around 500,000 units while washing machine sales jumped 26 per cent to around 300,000 units," Mr Wojcicki said.

Refrigerator exports to western markets, especially Germany, were depressed last year by lengthy delays to technical approval certificates for the Polish-designed electronic equipment in the new models, including the new environmentally-friendly, freon-free refrigerators. Higher sales are expected this year.

In partial compensation for the temporary loss of German sales the Russian market re-opened with the sale of 4,000 washing machines on an up-front cash before delivery basis. Sales are expected to rise to 15,000 units this year.

Export sales have been helped by the gold prize awarded at the Poznan fair last year for the Grazia model and the "Teraz Polska" (Made in Poland) quality label. Russian buyers insist the labels are prominently displayed on washing machines sold on the competitive Russian market.

Traditional markets in the Czech Republic, Ukraine, Turkmenistan and other former Soviet republics are also reviving on a private trading, cash up-front basis.

But productivity remains relatively low as the still state-owned factory retains many of the auxiliary services such as kindergartens and creches of the old socialist regime. In an area of high unemployment the company has added more than 1,000 to the payroll over the past few years to cope with rising demand, although wages remain below the national average at around $220 a month for a 42-hour week.

Mr Wojcicki says: "We have considerable reserves for increasing labour productivity." Once privatised the company would hive off most of the auxiliary service areas and let the slimmed down company concentrate on its core business as Poland's leading appliance maker.

Search is on for investors

Last year Polar made an $11.25m pre-tax profit on turnover of $140m, of which around $15m came from exports. Germany remained the biggest single market, taking 31 per cent of all exports, followed by France, Benelux and Canada. Profits were all re-invested to fund the development plan and the $25m investment needed to conform with the Vienna Treaty and Montreal protocol on the elimination of ozone-depleting CFC chemicals.

But Waldemar Wojcicki, the managing director, estimates that the capital-starved company needs around $40m to fund its future development plans. "We are looking for a consortium of passive investors. They should be prepared to put in the cash now, add value to the company and realise their profit in two years or so time when the re-capitalised and restructured company should be ready to float shares on the Warsaw stock exchange," he says.

By re-capitalising and restructuring before privatisation through an initial public share offer the management team hopes to arrange a deal which would leave management and workforce the owners of a sizeable portion of the company.

COPPER: a very profitable industry

Rich potential for exports

Four high-rise mine shafts tower above the rolling farmlands and neat villages of south-west Poland much as their equivalents rise from the Transvaal flatlands in South Africa. But the rich seams between 700 and 1,000 metres below the Polish fields are not gold-bearing but rich instead in copper fused with silver, lead, selenium as well as useful traces of gold in a polymetallic ore-body extending over many kilometres.

Foreign visitors to the mines and refineries of KGHM Polska Miedz SA, the state-owned Polish copper company, frequently expect to see third world standard mines, says Krzysztof Sedzikowski, chairman and chief executive of Poland's richest and most profitable company.

"They are surprised when they find that we are an efficient, European-level mining company with the added advantage of being sited close to the heart of industrial Europe," he adds.

The combination has made Polska Miedz Poland's richest and most profitable company and the country's most valuable net earner of foreign currencies. Last year export customers in Germany, the UK and elsewhere bought more than 60 per cent of the company's top quality copper electrodes, wire rods and billets. Exports earned well over $650m in foreign currency, contributing significantly to Poland's export-led recovery. Last year was a particularly good year. Copper prices on the London Metal Exchange averaged $2,313 a tonne compared with only $1,913 a tonne in 1993 and soared over $3,000 earlier this year before falling back. Net, after-tax profits nearly tripled to a record 350m new zlotys ($142m) on sales of 2,600m new zlotys ($1.084bn).

Higher profits were not only a reflection of higher prices. The company has cut costs by more than 20 per cent since a new management team took over less than three years ago. "We did not expect such high prices and worked on the assumption that we had to make ourselves profitable at a much lower level," Mr Sedzikowski says.

Productivity has risen sharply, reflected in a drop in employment from 42,000 three years ago to under 28,000 as the socialist-era company housing, kindergartens, sports stadium and service activities were hived off to local authorities or newly-created subsidiary companies. At the same time financial controls have been strengthened, management restructured and labour relations improved.

Even so the Polish mines remain overmanned by world standards. The Rudna mine, biggest of the four underground mines, employs around 7,000 people, compared to only 375 at a Swedish opencast mine with a similar output.

Last year the company's four underground mines, two integrated smelting and refining plants and one copper rolling mill turned out 405,093 tonnes of refined electrolytic copper from 26.14m tonnes of ore. This is just over 4.1 per cent of total world copper production, and roughly one third of the output of the low-cost Chilean opencast mines which produce 12 per cent of the world's copper.

At the same time, a new $20m precious metals refinery at the nearby town of Glogow last year produced 915 tonnes of silver, which earned 17 per cent of total revenue, plus 400kg of refined gold.

The new refinery, which employs the latest Swedish technology from Boliden AB, has reinforced the company's position as Europe's largest silver producer. Slimes from processing the combined output of the four mines produce around 10 per cent of global silver output, mostly in the form of silver granules for the photographic and other industries.

Miedz also produces 150,000 tonnes of salt from the vast deposits which overlay the entire 96 sq km mining area, plus 450,000 tonnes of sulphuric acid, 10,500 tonnes of lead and smaller quantities of selenium and other metals.

KOBIERZYCE: industries bring new prosperity to a small town

Foreign invasion welcomed

A new junior school with a sloping red tile roof and large windows is nearing completion behind the modest, white-washed building which houses the local council (Gmina) of Kobierzyce just beyond the Wroclaw city limits.

The school cost $2.5m and is a sign of the new prosperity arising from the determined efforts of the mayor, Ryszard Chomicz, and his enthusiastic staff to attract foreign investment.

To date the most tangible evidence of success is the spanking new $50m chocolate factory which has just been completed on a greenfield site by Cadbury Schweppes, the UK-based confectionery and drinks company.

Cargill, the US-based commodity trader and grain products company, is expected to build a 100,000-tonnes-a-year corn starch processing plant on the site next door.

A few hundred metres further north, on land bordering the motorway which will eventually run from Prague and Berlin and connect with the planned motorways through to Warsaw, Krakow and Gdansk, the Dutch-based cash-and-carry retailer Makro is due to start building a large store later this year.

Ikea, the Swedish-based furniture company, is also planning to build a store in the town.

Five years ago Kobierzyce was just another impoverished, largely rural community of 11,500 people situated just beyond the southernmost city limits of the Lower Silesian city of Wroclaw, better known to many by its pre-war German name of Breslau.

It might have remained that way had Mayor Chomicz not taken advantage of the 1990 local government reform which permitted Gmina, the smallest of local councils, to sell or dispose of land in certain circumstances.

"Nobody offered any advice as to how this was to be done, or how to attract investors. But we decided that it was no good just offering land alone," the mayor explained.

"So, with the money from our first land sale to Makro in 1992 we invested in bringing roads, water, electricity and other services both to the land bought by Makro and the other areas ripe for development," he added.

He is particularly pleased about Cadbury's decision to locate its first investment in former communist Europe on one of the Gmina's serviced plots.

"There is quite a fashion for shopping malls and so on, but attracting a first class productive enterprise like Cadbury's is something else," he says of an investment which has created 300 jobs and will provide substantial tax revenue in the years to come.

"Most of the potential investors we talked to came from Germany. They came to do business, but then they talked for hours about politics. They wanted 100 per cent guarantees and were frightened by what they see as our political instability," he says.

"The British, by contrast, were very concrete. They wanted very technical and precise answers and haggled over all the details. But we held very substantial negotiations and we were really glad when Cadbury decided to come here," he added.

Profile: CADBURY SCHWEPPES

Sweet factory moves quickly

Speed was a key factor in Cadbury's investment plans for Poland. Robert Narojek, marketing director at the 7,200 tonnes a year Cadbury plant, says the UK chocolate company decided late in the day to invest in what is already a highly competitive but fast growing market and had to move fast to catch up with the competition.

Pepsico, the US fast food and drinks company, gained an early lead in the confectionery and snacks market three years ago by buying control of Wedel, the biggest chocolate producer. Nestle similarly moved into second place by taking over Goplana, another leading Polish company, while another Swiss-based company, Jacob Suchard, also took a 10 per cent market share through acquisition.

Cadbury's had to go for a greenfield site and start from scratch in building up market share and in production. Masterfoods, the US company which makes Mars bars, snickers and other highly successful products, is in a similar position. It is building a $100m plant near Warsaw which is due to come on stream in July.

Starting late as a newcomer to the market with a greenfield plant required fast footwork once the Cadbury board gave the green light. Thanks to co-operation from the enthusiastic local authorities of Kobierzyce the plant has already begun turning out chocolate bars and confectionery little more than a year after the decision to go ahead. At the same time, Cadbury's have rapidly built up a sales force and backed it with a highly sophisticated brand-awareness TV advertising campaign.

Market research showed that Poles liked chocolate, had not yet developed any clear brand loyalty but liked slightly brittle, nutty products. Cadbury expects its fruit and nut bars to become its flagship product and market leader of its class.

The Polish chocolate market is growing at around 7-9 per cent annually and the green field site has the space to allow production to rise from the start-up annual capacity of 7,200 tonnes to 13,000 tonnes with minimal additional investment. With plenty of space on site Cadbury's architects were also able to design the state of the art plant with maximum efficiency in mind.

Another advantage of the Kobierzyce site is that more than 60 per cent of the 38.6m Polish population live within a 400km radius.

Cadbury expects its fruit and nut bars to become its flagship product

Profile: BRITISH VITA and BRITISH OXYGEN

UK companies stake their claim

The factors which brought Cadbury to western Poland have also attracted two other significant British companies to the region. They are British Vita, which makes polyurethane foam at a brand new purpose-built factory, and British Oxygen, which produces and bottles a range of industrial gases at one of several former state-owned gas plants it bought as a strategic investor two years ago.

By coincidence rather than design the two companies, which are completely independent of each other, sit side by side across the road from Rokita, a German-built but now Polish state-owned chemical complex at Brzeg Dolny, 30km from Wroclaw. Rokita used to make cyclon-B poison for the Nazi gas chambers during the war but now produces a wide range of fine chemicals.

BOC has been doing business in Poland for more than 20 years, extracting liquid helium and selling industrial gases. But the main opportunity to take a strategic stake in the fast-growing industrial gas market came with privatisation of the state-owned Polgas company two years ago.

Privatisation allowed foreign gas companies to bid competitively for the 13 plants and ancillary facilities of the former state industrial gas monopoly.

BOC won the bid for plants near Wroclaw, Poznan and Siewierz, near Katowice, by offering a higher price and pledging substantial investment to raise quality and introduce new products and new technology. It has already introduced more sophisticated gases and secured large productivity gains through new high-capacity road tankers as well as new and safer methods of filling gas cylinders.

In a display of good corporate citizenship BOC Gazy, the Polish subsidiary, has also funded a welding school to train young welders in new techniques.

BOC and British Vita employ Polish managers to run their local operations with technical and other assistance available from headquarters as required. Wieslaw Wegrzynowski runs British Vita from a boardroom decorated with a bronze bust of the company's founder, Norman Grimshaw, whichbears an uncanny resemblance to Poland's new prime minister, Jozef Oleksy.

The decision to opt for a custom-built £5m greenfield plant to produce 8,000 tonnes of polyurethane flexible foam annually was taken only in 1992 after a fruitless search to buy an existing foaming plant. "The plants British vita looked at were old-fashioned and overmanned. Our new plant employs only 38 people while a similar capacity polish plant at Zgierz near Lodz operates with 240," Mr Wegrzynowski says.

With costs low and demand from furniture manufacturers and other industrial users soaring the plant is already contributing to British Vita's recently announced 47 per cent rise in the group's global pretax profits.

With plenty of room for expansion at the greenfield site British Vita is well placed to add low-cost capacity additions as the Polish economy continues its rapid growth.

SZCZECIN SHIPYARDS: a symbol of Poland's export-led industrial regeneration

Relaunched on a rising tide of profits

In four years, Stocznia Szczecinska, the Szczecin shipyard, has been transformed from a bankrupt basket case, dependent on a Soviet market which no longer exists, into a symbol of Poland's export-led industrial regeneration.

A thoroughgoing financial and managerial re-organisation, coupled with investment in new slipways, cranes and other equipment and a new co-operative relationship with the trade unions have worked wonders.

Last year the semi-privatised company with a share capital of only $30m turned in a net after-tax profit of $15m on sales of $335m.

This year sales are expected to rise to $450m, although higher profit forecasts are being scaled down following the central bank's February decision to reduce the "crawling peg devaluation" of the zloty from 1.4 per cent to 1.2 per cent a month and raise interest rates.

"With practically all our output sold for dollars to foreign or foreign-registered shipowners, the bank's decision will cost an estimated $5m in lost profits," says Andrzej Zarnoch, sales and marketing director.

Another complaint is the high cost of capital for a fast expanding company whose own slender capital base was virtually wiped out, like most other Polish companies, by the hyper-inflation of the late 1980s. This leaves it exposed to the high interest rates which have been a feature of post-communist economic life.

One of the first stages in the company's regeneration was the successful debt write-down and rescheduling which accompanied the US-style financial restructuring completed in 1991. This has helped to reduce the overall interest rate burden.

Robert Pollan, an American financial consultant who arrived in Warsaw to help establish the Polish-American Enterprise Fund in 1990, left the fund to advise on the restructuring in 1991. "We started from ground zero to establish what the losses were. We examined the cost structure, transferred 1,000 auxiliary workers into production, set up a new pay system and started debt negotiations with banks and suppliers," he recalls.

One of the first victims was the shipyard fleet of 67 yachts, part of the shipyard's sailing club. They were sold. Another priority was selling off the ships built for Soviet customers who could no longer pay.

But the event which marked the re-organised shipyard's fight back to solvency was the order from Bertrand Richmers, a German shipowner, for a $20m standard container ship. Ordered on a 16-month delivery schedule in December 1991 the new ship was actually built and delivered in 11 months. Other orders started to flow in and Bank Handlowy, the shipyard's biggest creditor, took over as the shipyard's "house bank". It opened an annually renewable credit line which has expanded *pari passu* with the growth of the shipyard's activity.

The greatest need is for working capital as the low cost of Polish labour and reliance on Polish equipment suppliers has made it possible to keep the cost of capital investment relatively low. Last year, the shipyard invested around $20m, most of it on the construction of two new slipways capable of building broader, 32-metre wide, panamax ships and re-equipping with 300-tonne lifting capacity gantry cranes. The bulk of investment was financed from retained profits.

The cranes were specially designed and built, at a fraction of the cost of similar imported models, by Famak Kluczbork, a mining equipment company in southern Poland without previous experience in heavy cranes. This is a prime example of the way the regeneration of the shipyard has helped to support the recovery in other sectors of the Polish economy.

The two new bays are crucial to the shipyard's future. "We invested $18m in building the two bays, but they will be instrumental in producing ships worth $220m a year by 1997," says Mr Zarnoch.

Another important investment was in IBM computer equipment and software for the 600-strong design team and to upgrade financial and managerial control systems.

Until now the two existing 25-metre wide production slipways were capable of building ships only up to 22-28,000 deadweight tonnes (dwt). But the new container ships designed for the new bays will range from 40-50,000 dwt.

Three of the first of the new vessels will be 40,000 dwt product tankers sold to Unicorn lines of South Africa for charter to Shell and Engen, the South African oil company created after Mobil was forced to disinvest from the country in the 1980s.

Chile is another important customer and Krzysztof Piotrowski, the shipyard's managing director, was among the party of Polish officials and businessmen who accompanied President Walesa on his official visit to Chile and other Latin American countries in February.

"Building the new bays enables us to keep up with our customers' demands for bigger ships. Without them we would have become a 'short pipe', capable of winning initial orders but unable to build bigger ships and therefore doomed to lose customers to our fierce competitors in the Far East which can offer a bigger range of container ships," Mr Zarnoch adds.

Statistics published by Clarkson research Studies show how successfully the Szczecin shipyard has been in identifying and occupying a niche in the smaller end of the standard container ship market. Of 279 container ships on order worldwide as of January 1995 the Szczecin Shipyards have captured 41 orders, 14.7 per cent of the total.

On a deadweight tonnage basis, however, the Polish yard accounts for 8.3 per cent of the 8.4m dwt of container ships currently on order.

This reflects the relatively small size of the Polish ships compared to the 50,000 dwt and upwards turned out by Japanese and South Korean yards.

Shipbuilders receive rich rewards after reorganisation

With expected sales of $480m in 1995 and a 27-month-long order book worth $1.3bn Stocznia Szczecinska's restored health has become a big factor in Poland's export-led recovery. Similar restructuring is under way in the Gdynia shipyards, which are capable of building large bulk tankers, and in Gdansk. Before the end of the century, Poland's leading shipyards should be able to produce ships worth $2bn annually.

For the next 20 years at least the combination of relatively low wages, high skill levels and well-developed industrial infrastructure should sustain steady growth of the industry. Already, however, re-organisation and the resulting leap in labour productivity has provided tangible benefits for the formerly demoralised workers.

Average wages at the Szczecin shipyards have doubled over the past three years to around $450 a month for a basic 42-hour week. Serial construction of standardised ships, more rational working methods and new equipment, such as automatic vertical welding lines and 300-tonne lifting cranes, have kept unit labour costs down even as wages have risen.

Rising production has also led to the creation of 1,000 new jobs over the past two years, bringing the direct labour force to 6,500. A further 1,500 workers are permanently employed on site by sub-contractors and several thousand jobs are indirectly connected in supplier companies.

Despite high unemployment in the surrounding region the shipyard have not been able to recruit sufficient welders locally and more than 200 Russian welders from Kaliningrad, the Russian enclave in the eastern Baltic, are now employed in the shipyard.

The biggest indirect beneficiary from the shipyard's recovery is the Poznan-based Cegielski marine engine company which now sells 75 per cent of its output to the Szczecin yards. But the shipyard also consumes more than 60,000 tons of Polish-made steel annually. It would buy more, but the still largely state-owned steel industry has not matched the industrial revolution in the shipyards and is frustratingly unable to produce more of the steel required by the shipyards, leaving large tonnages to be imported.

Profile: POLSKA ZEGLUGA MORSKA

Fortune smiles on industry

The renaissance of the Szczecin shipyards is the crucial element in a broader recovery of the heavily maritime-based economy of this north-western province ceded to Poland after the second world war.

But five years ago the Polish shipping industry and the shipbuilding and repair yards in the main Baltic ports were all facing a crisis.

In Szczecin all three sectors are now in a much healthier state although further eastward along the coast the maritime-based industries of Gdynia and Gdansk are at least two years behind in their restructuring plans.

The recovery in the fortunes of the shipyards is now also being shared by the Polish shipping industry, which runs one of Europe's largest fleets.

But Janusz Lemba, general manager of Polska Zegluga Morska, the Polish Steamship Company (PZM), says last year's 8 per cent rise in global trade, and the resulting higher sea freight rates, came just in time to save the Szczecin-based shipping group from looming bankruptcy.

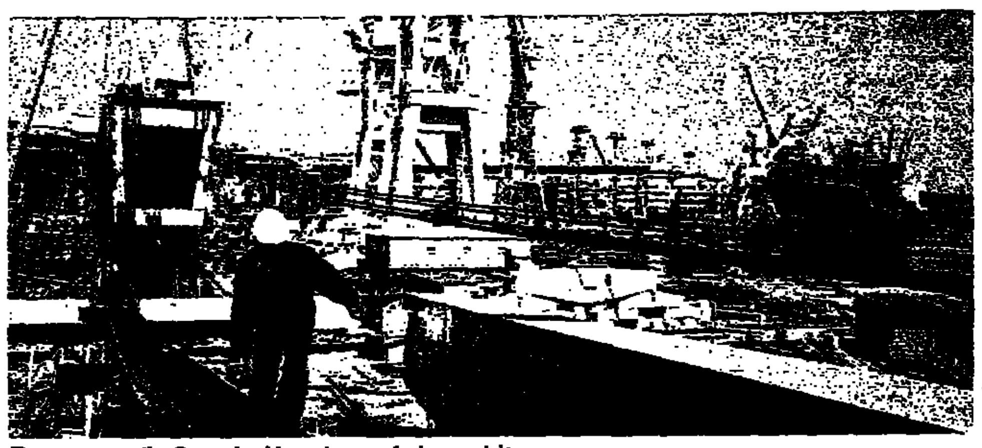
However, low freight rates were not PZM's only problem. It was also suffering from over-investment in a badly timed and over-ambitious hotel and office block development in the late 1980s and an expensive leasing contract with Burmeister and Wain, the Danish shipyard, which saddled it with six expensive new Panamax tankers.

The decision to build the Pazim complex (a weird combination consisting of a high-rise circular office block tower with angular adjuncts housing a luxury hotel and shopping complex) was "five years ahead of its time", Mr Lemba says. In impoverished post-communist Poland there was little demand for the luxury, western-style office block which towers over a city centre destroyed by allied bombing at the end of the war and rebuilt in dreary Socialist style.

For three years most of the offices and shops were unoccupied while the hotel, managed by the US Radisson chain, suffered 25-30 per cent occupancy rates until business started to pick up last year.

Now the city's reviving prosperity, fuelled by a vigorous cross-border trade with Germans from the former East Germany as well as growing investment from Germany and Scandinavia, is reflected in higher occupancy rates. All the shops and banking halls in the Pazim complex are occupied, 80 per cent of office space is let and the hotel occupancy rate has risen to 35 per cent and is steadily improving, Mr Lemba says.

But with the original financing from Austrian and other foreign banks already half way through the unusually short 10-year financing term, PZM and its Austrian joint venture partner, Ilbau of Vienna which built the 24-storey complex, face difficult re-financing negotiations before long.



Five years ago the Szczecin shipyards were facing a crisis

Meanwhile, tighter management and re-organisation of PZM into a holding company structure had led to a more focused and efficient core ship chartering business. PZM, and its subsidiary Zegluga Polska, own around 80 per cent of the group-controlled fleet of 110 bulk carriers ranging from 4,400-74,000 dead weight tons (dwt) and five tankers ranging from 9,700 to 145,000 dwt.

The fleet includes 14 small bulk carriers of around 4,500 dwt which were supplied by UK shipyards in a controversial deal made between the UK Labour government headed by Harold Wilson and the communist regime headed by Edward Gierek. The deal involved heavily subsidised prices and cheap credits on which the final payment was made in January.

Last year the total 3m dwt of shipping under management of the three main operating companies – Polsteam Oceantramp, Polsteam Shortramp and Polsteam Tankers – carried 26.5m tons of cargo compared to only 24m in 1993. More than 90 per cent of income last year was generated from foreign charters with activity concentrated primarily on the Atlantic basin region.

"Around half of our recovery is due to the global rise in freight rates, the other half can be attributed to tighter cost control, active use of financial markets and better financial controls and higher efficiency by the fleet itself, especially through a reduction of ballast legs," Mr Lemba says of a company which has not received government subsidies since 1964 and has developed into one of the world's largest shipping companies.

PZM-controlled companies have an estimated 2 per cent share of the highly competitive global shipping market, mainly carrying bulk cargoes such as fertiliser, coal, grain and iron ore.

Around 40 per cent of the fleet was built in Polish yards and most of those in Szczecin itself.